

The pre-election shifts in farm income

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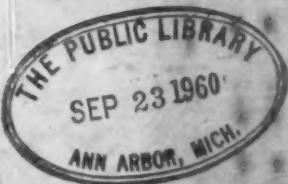
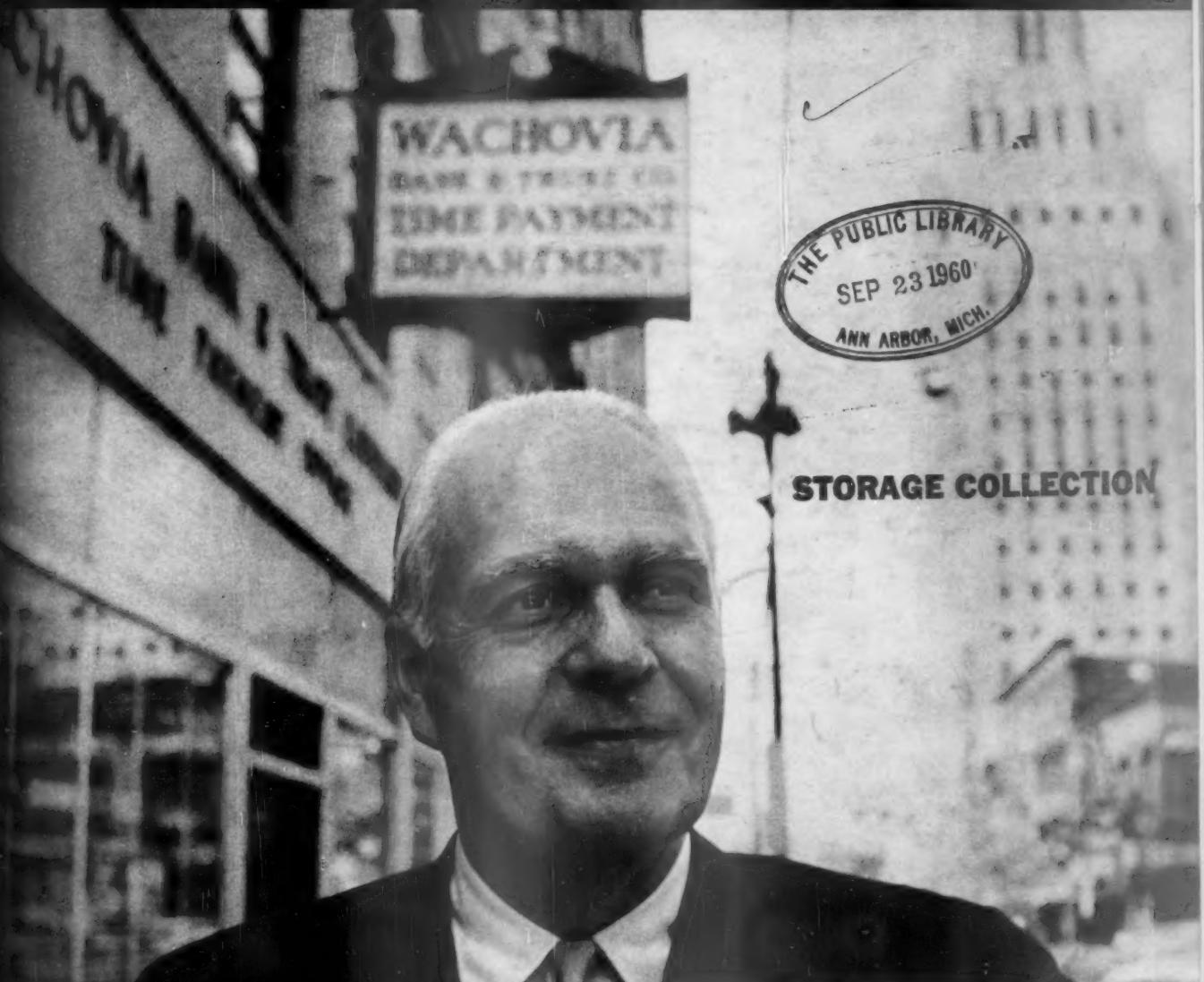


BUSINESS WEEK

A McGRAW-HILL PUBLICATION

FIFTY CENTS

SEPT. 24, 1960



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Why would a Winston-Salem bank be expanding furiously and reaching overseas?

Watlington of Wachovia Bank & Trust has some answers.
(Finance)

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In BUSINESS this WEEK September 24, 1960

GENERAL BUSINESS

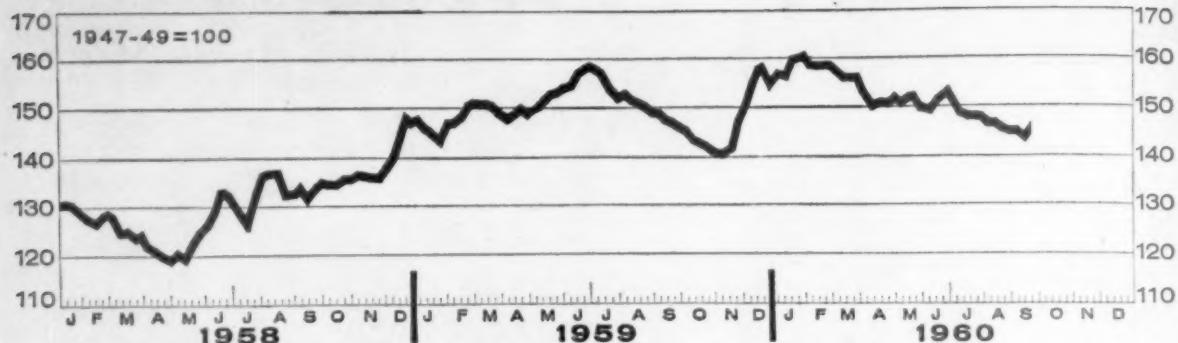
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BUSINESS WEEK INDEX (chart)

1953-55 Average	Year Ago	Month Ago	Week Ago	Latest Week
133.3	147.5	146.1	144.7	146.5*

PRODUCTION

Steel ingot (thous. of tons).....	2,032	362	1,547	1,510r	1,537
Automobiles	125,553	62,716	47,437	52,635r	85,999
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$66,873	\$77,451	\$80,915	\$79,260
Electric power (millions of kilowatt-hours).....	10,819	12,779	14,453	14,216	13,903
Crude oil and condensate (daily av., thous. of bbl.).....	6,536	6,810r	6,842	6,874	6,847
Bituminous coal (daily av., thous. of tons).....	1,455	1,283	1,339	1,288r	1,298
Paperboard (tons)	247,488	327,749	314,607	237,708	320,971

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	70	54	54	53	53
Carloadings: all others (daily av., thous. of cars).....	47	34	46	43	43
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	133	131	147	130
Business failures (Dun & Bradstreet, number).....	198	264	279	276	305

PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	93.8	91.5	91.0	90.3
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	76.2	77.3	76.0	74.8
Print cloth (spot and nearby, yd.).....	19.8¢	19.5¢	19.8¢	19.2¢	19.0¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.7	186.2	186.2	186.2
Scrap steel composite (Iron Age, ton).....	\$36.10	\$42.50	\$32.50	\$31.83	\$31.83
Copper (electrolytic, delivered price, E&MJ, lb.).....	32.394¢	31.410¢	33.000¢	33.000¢	33.000¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	24.7¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	↑	23.77¢	23.99¢	24.02¢	24.00¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$2.00	\$1.93	\$1.97	\$1.98
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	31.76¢	30.67¢	30.62¢	30.53¢
Wool tops (Boston, lb.).....	\$1.96	\$1.92	\$1.64	\$1.67	\$1.65

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	55.75	57.37	55.78	54.58
Medium grade corporate bond yield (Baa issue Moody's).....	3.59%	5.21%	5.04%	4.98%	5.02%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2 1/4%	4 1/2%	3 3/4%	3 1/4%	3 3/8%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	↑↑	61,133	58,163	59,009r	60,017
Total loans and investments, reporting member banks.....	↑↑	104,137	105,003	105,091r	105,533
Commercial, industrial, and agricultural loans, reporting member banks.....	↑↑	30,270	32,125	31,957	32,339
U. S. gov't guaranteed obligations held, reporting member banks.....	↑↑	28,891	27,169	27,408	27,491
Total federal reserve credit outstanding.....	26,424	28,834	28,469	27,941	28,048

MONTHLY FIGURES OF THE WEEK

Housing starts (in thousands).....	August.....	101.5	142.4	115.0	127.4
Bank debits (in billions).....	August.....	\$158.1	\$208.1	\$223.6	\$241.8
Wholesale prices (U. S. Dept. of Labor BLS, 1947-49=100).....	August.....	110.4	119.1	119.7	119.2
Domestic air cargo (express and freight, millions of ton miles, A.T.A.)....	July.....	22.5	36.6	38.1	35.9

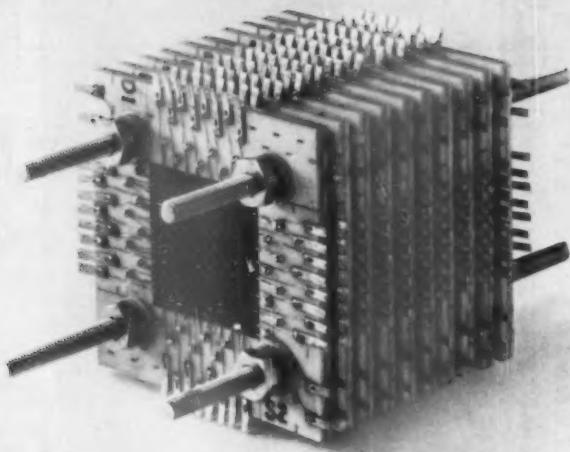
* Preliminary, week ended September 17, 1960.

† Not available.

‡ Revised.

§ Date for 'Latest Week' on each series on request.
N. A. Not available.

THE PICTURES—Cover—Jay Leviton; 27—(left) WW, (right) Eastfoto; 30-31—James Drake Jr.; 34—(left) Delcon Corp.; 50—Harry Redl; 51—Leonard Nadel; 65-66—Gene Pyle; 74-75—Tibor Hirsch; 94—Harper and Bros.; 98—Noel Clark; 112—C.I.O.S.; 122, 123, 124, 126—Jay Leviton; 141—McGraw-Hill World News; 143—WW; 147, 149, 151—Herb Kratovil; 162—Bell Telephone; 164—Cushman Motor Works; 166—(top) Minneapolis-Honeywell Regulator Co., (bottom) T. G. LeTourneau Inc.; 170-171—Tibor Hirsch

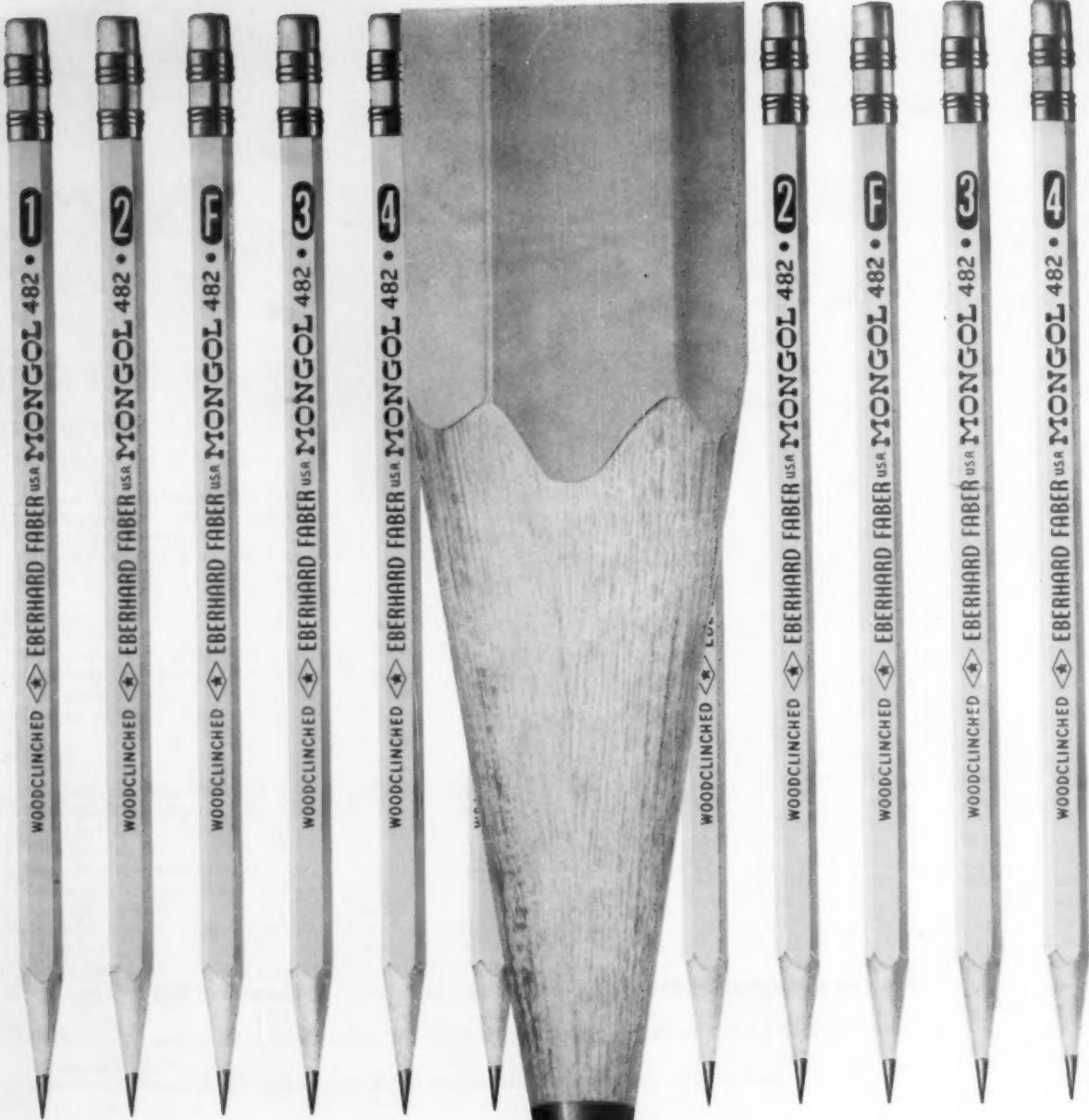


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READERS REPORT

South, Not North

Dear Sir:

[In your] article on Incomes Continue Their Climb [BW—Aug. 27'60,p139], you state, "Twenty-six states topped the national average. . . . Nevada's +15.3% led . . . North Carolina followed with a healthy +12.7%."

If you will look at the table accompanying the article, you will note that South Carolina actually followed with +12.8% increase. South Carolinians are proud of the great strides taken in industrial and economic development in recent years . . . which has placed South Carolina second in the nation in the increase in personal income for the last twelve months.

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R. IRVING BLANCHARD, JR.
EXECUTIVE MANAGER
CHAMBER OF COMMERCE
FLORENCE, S.C.

• We reported South Carolina's fine performance [BW—Mar. 26'60, p126].

Nine at One Blow

Dear Sir:

Having slipped many a decimal in my time, I applaud your cosmic goof [BW—Sep. 10'60,p85]. For "20-40 billion electron volts" [should] read "20-40 billion billion electron volts." Seldom is one privileged to stand corrected by a factor of 10⁹.

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C. W. J. WENDE
AUGUSTA, GA.

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Dear Sir:

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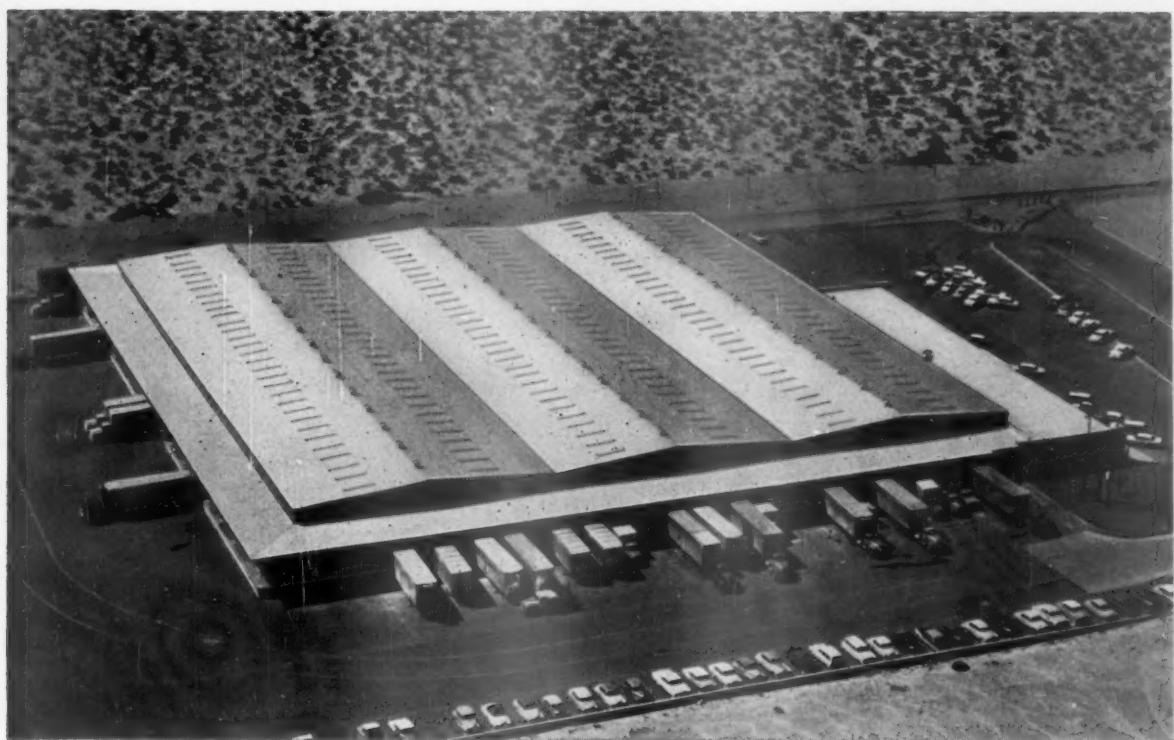


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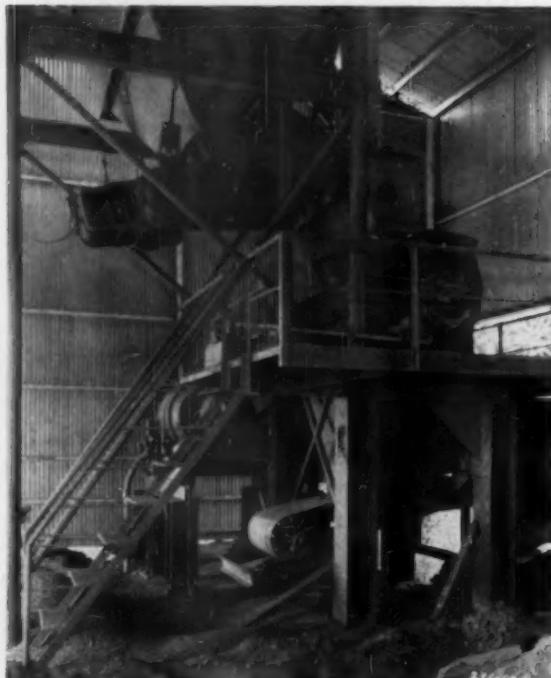
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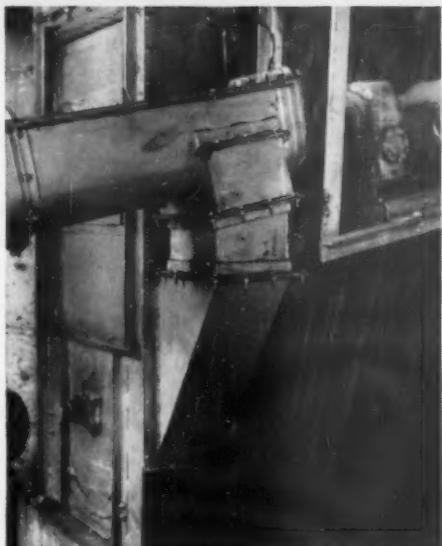
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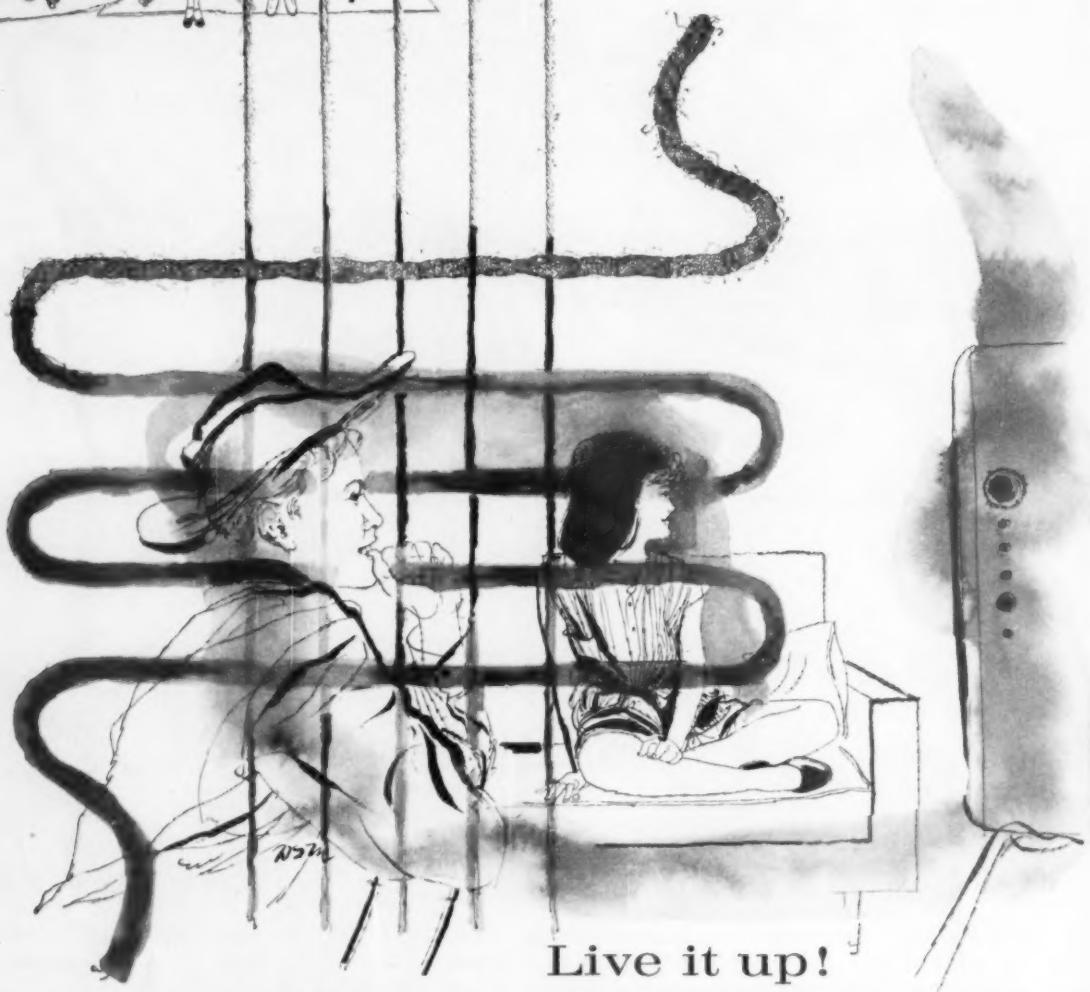
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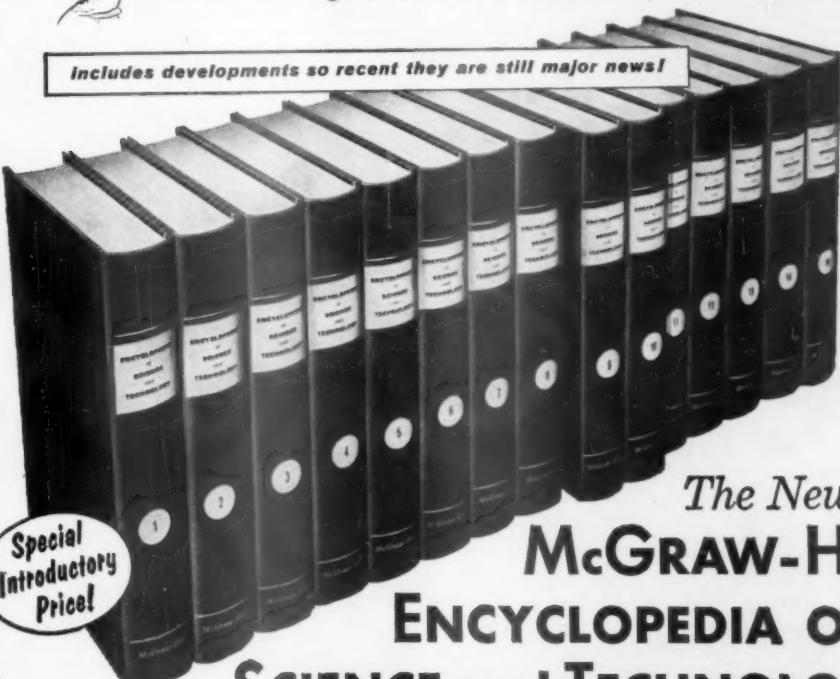
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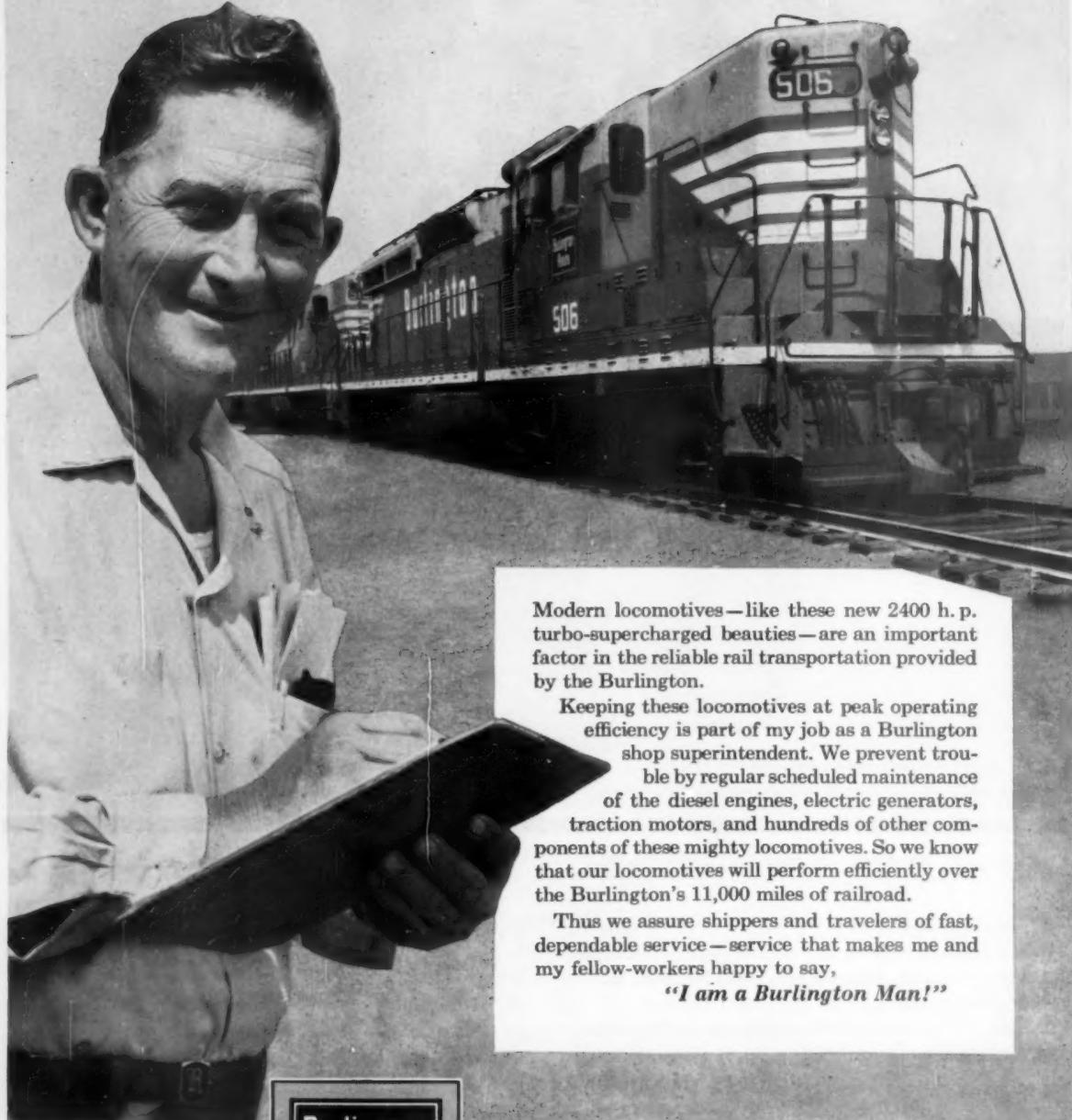
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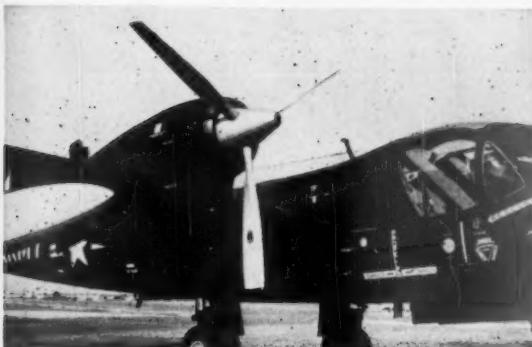
Thus we assure shippers and travelers of fast, dependable service—service that makes me and my fellow-workers happy to say,

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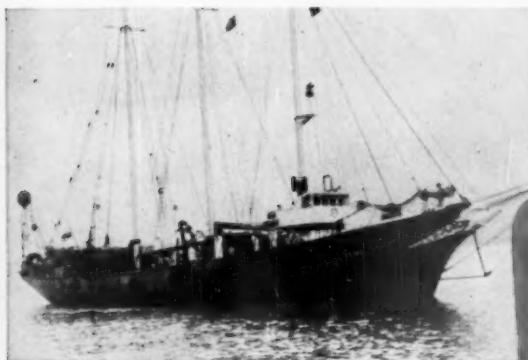
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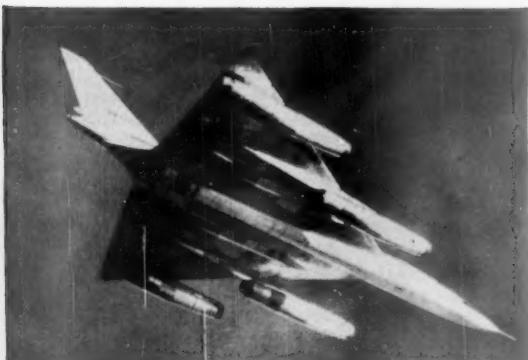
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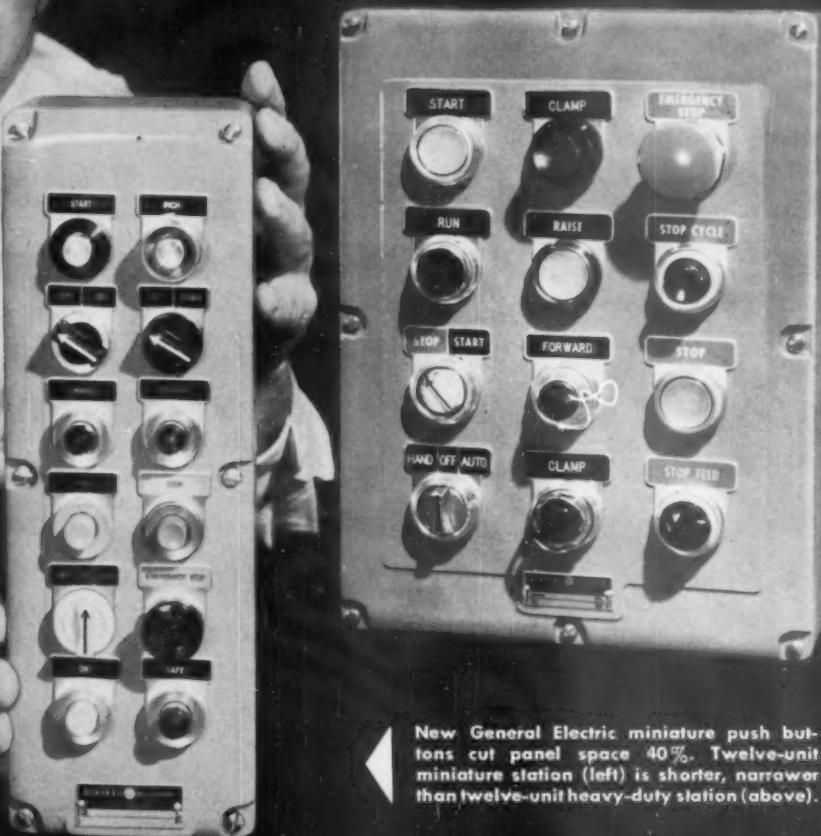
1. (b) and (c). Despite rapid temperature changes, it far outlasts metal, saving replacement cost and time.
 2. (b) The laminated epoxy body is unharmed by impact that would dent metal.
 3. (a), (b), and (c). Check them all. Most important – epoxy coatings protect against corrosion.
 4. (a) Embeds its coils in a hard plastic block that insulates, protects against physical and chemical damage, lets motor run cooler.
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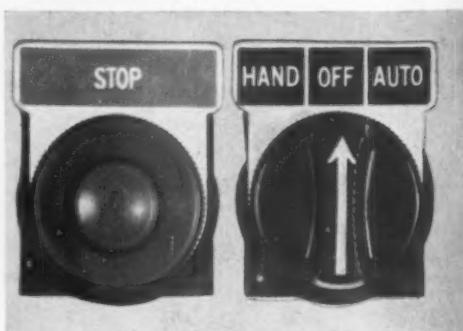
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BUSINESS OUTLOOK

BUSINESS WEEK
SEPT. 24, 1960



Business conditions may have been getting less than their usual share of attention this week, what with the goings-on at the United Nations and the break in the stock market.

And some observers may have felt, "It's just as well."

News of a solidly constructive nature was hard to come by; most people, even if they had found some, probably would have discounted it.

—•—

The latest measure of business activity, as taken by the Federal Reserve Board's index, could be read about as you liked (with the interpretation depending, largely, on how you think things will develop).

To those who are looking for a good autumn upturn (and their numbers, admittedly, are discernibly decreasing) even the small dip from July to August could be encouraging. At least, it was less than had been expected; and it was so small that the sidewise drift was uninterrupted.

Such a crabwise slide could be building a solid base for a rise.

Certainly stability was the main characteristic of most components of the Federal Reserve index after allowing for seasonal factors.

But there was one good gainer from July to August, automobiles.

July output had declined much more than seasonally, so autos' index number for the month was 108 (with 1957 equaling 100). Actual output in August was lower than in July, but not so much as usual, so its index came out at 114.

And, since new-model output started up faster than usual this month, September should show up still better on an adjusted basis.

Most people will take more stock in how cars sell in November than in adjusted production figures for August, particularly in view of the fact that dealers entered September with some 700,000 1960 cars still on hand (not to mention an estimated 150,000 of new 1961 models).

Production between December and March—for the big 1961 sales season—will depend on market portents from October to Christmas.

Among the few major categories to show a persistent downtrend in the Federal Reserve index (omitting the depressed sub-category of farm equipment) has been raw materials.

Here there has been a decline of 4% since the start of the year.

But this is accounted for mainly by steel's slide. Everyone accepts that as a fact but assumes it's more or less historical by now. Everyone knows raw materials did badly in August, but how will they be doing by January?

—•—

Steelmen, who first thought that August would tell the story for them and then put off the day of reckoning to September, now say October.

In any event, things have come to a point now where much more delay would hurt and hurt badly. Not only has almost everyone given up hope of a price rise to meet the December hike in wage costs; but this week you could also get the whiff of price weakness.

This probably will be headed off, but better demand is needed.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
SEPT. 24, 1960

Big users will tell you price shading is showing up among some of the smaller (but still reputable) steel warehouses.

Usually they cut sheet to your specifications (and charge you for the service). Now they may give you the mill price—or less—on steel to your own specifications.

This, say old hands, really means steel rolled at the mill to your order (for a small warehouse wouldn't have that exact thing lying around).

—•—

Better demand for steel and other raw materials, if and when it comes, will come suddenly and from all directions.

This is about the only conclusion you can draw, talking to manufacturers just about any place you go. They've drawn inventories down 25% to 50% below a year ago and know there's a risk involved.

But they've put finished goods in the warehouse to meet the possibility of rush orders, and they're willing to take a chance.

"We're on thin ice with inventories so low," one manufacturer admits, "but this is the time to live dangerously."

He knows he would be caught if auto output took off suddenly. But, as it is, he is counting on the industry's huge capacity. (And hints of price weakness rather than strength only heighten such an attitude.)

—•—

Housing starts in August were sharply higher than in July, but the rise wasn't enough to pull the curve back up to last spring's level.

The seasonally adjusted annual rate is computed at 1,275,000 on the basis of privately financed starts in August, up from 1,184,000 (revised) for July. But August lagged all other 1960 months except March.

April through June, the average exceeded a rate of 1,330,000.

—•—

Lumber has derived no benefit from any developments in homebuilding up to now, and the year-long decline in prices has pared profits of most producers to the vanishing point. But they hope this may have a stabilizing result: It is likely to force the closing of enough mills to steady the market.

—•—

August was a month of high business mortality with more failures than any other August in 27 years, Dun & Bradstreet, Inc., reports.

Typically, 621, or nearly half the failures, were in retailing and, of these, 128 were stores in automotive lines.

—•—

Retailers may find some consolation in the fact that consumers at least think this is a good time to buy—even though they may not yet have made up their minds to buy homes, cars, or major appliances.

A quick check by the University of Michigan's Survey Research Center has turned up this frame of mind (page 32). And it hardly could be more timely—with department stores behind a year ago the last two weeks.

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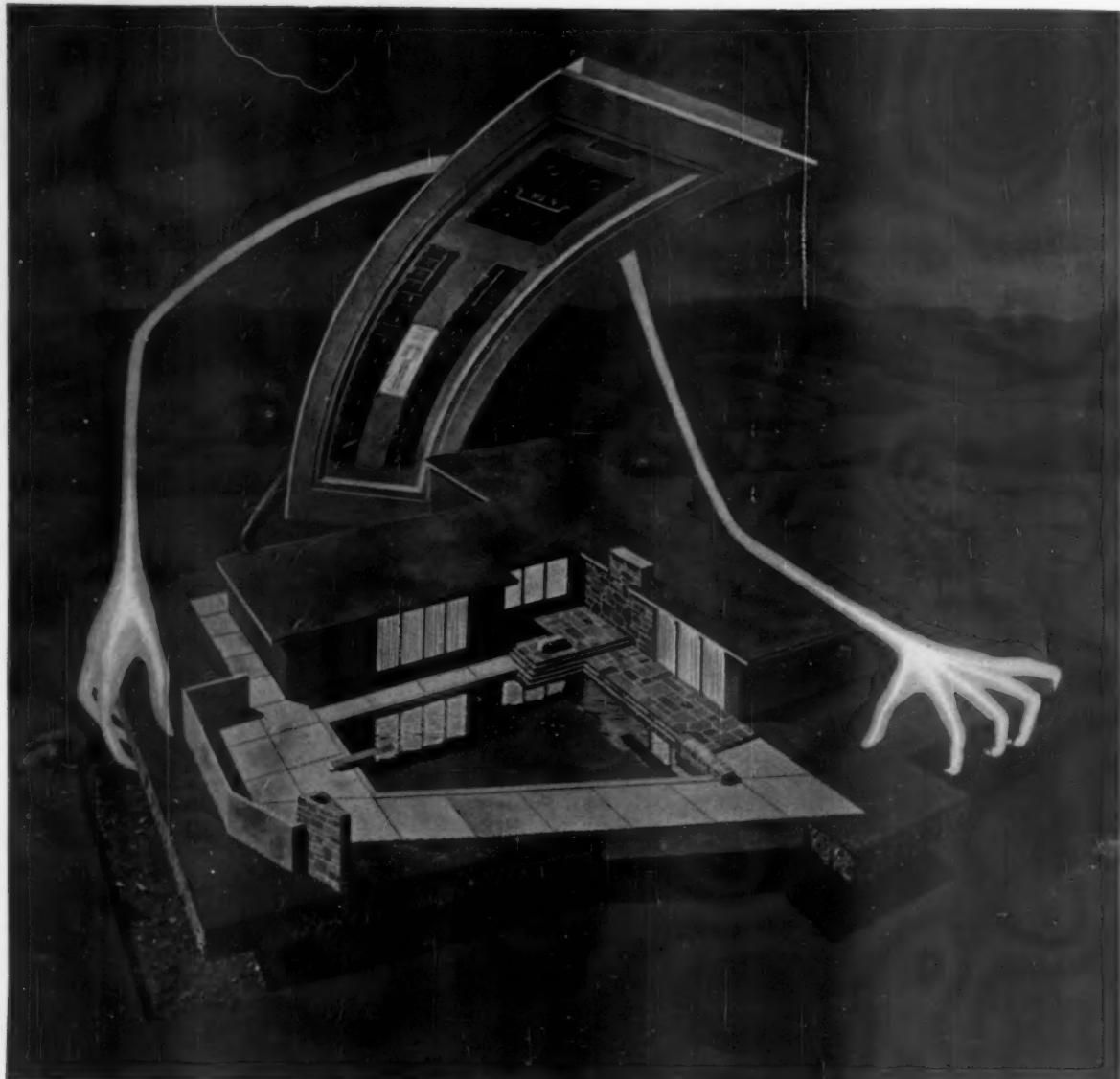
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In more ways than one, today's home is literally in the hands of electricity. And as artist Ned Seidler visualizes, it needs the kind of protection the Walker panelboard offers.

ELECTRIC MUSCLES POWER THE MODERN HOME

Remember when doing the laundry was an all-day, wife-killing chore? Remember when open windows were the only weapons against summer heat? Remember when your refrigerator was called an "icebox"? Remember when home was a place you had to go out of to have fun? Today we have the automatic washer and dryer...air conditioning...home freezers...television...and backyard swimming pools. Electricity provides the muscles for all of them. So you never want to lose your electricity, even for a little while. And I-T-E's subsidiary, Walker Electrical Co., builds electric panelboards that protect your electric circuits. They use tiny I-T-E circuit breakers to open quickly in case of short circuits or overloads...prevent

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I-T-E CIRCUIT BREAKER COMPANY

SEPTEMBER 24, 1960

NUMBER 1621



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Wall Street Loses Its Nerve

Market steadies after steep one-day drop, but analysts predict a beating for many shares with high price-earnings ratios. Few expect a real collapse of stocks, but it's widely felt that the economy is heading for a downturn.

Wall Street lost its nerve this week. On Monday, the market suffered its sharpest one-day drop since the big sell-off, also on a Monday, that followed Pres. Eisenhower's heart attack in September, 1955. This time there was nothing so striking to trigger a break, but the Dow-Jones industrial index dropped more than 15 points to a 586.76 closing, a new low for the year.

The market steadied on Tuesday. After an initial flurry of selling, prices began to firm, and the Dow-Jones index closed at 588.20, up 1.44 on the day. On Wednesday, a moderate rally got under way, with the index climbing 6 points to 594.26.

But most analysts felt that stock

prices were headed for still lower levels. Few saw a real collapse, but a great many thought that a large group of stocks that are still selling at comparatively high price-earnings ratios may take a beating in the next few weeks.

• **Downward Trend**—The prevailing feeling on Wall Street, and among investors, is that the economy is definitely headed for a downturn. As one broker put it this week: "My customers aren't arguing over whether or not we are in a recession. They're all wondering just how bad the recession is going to be."

Investors have been concerned about the state of the economy ever since the beginning of the year. But they had kept hoping that the fall would bring

a decisive upturn. Finally nervous investors began selling.

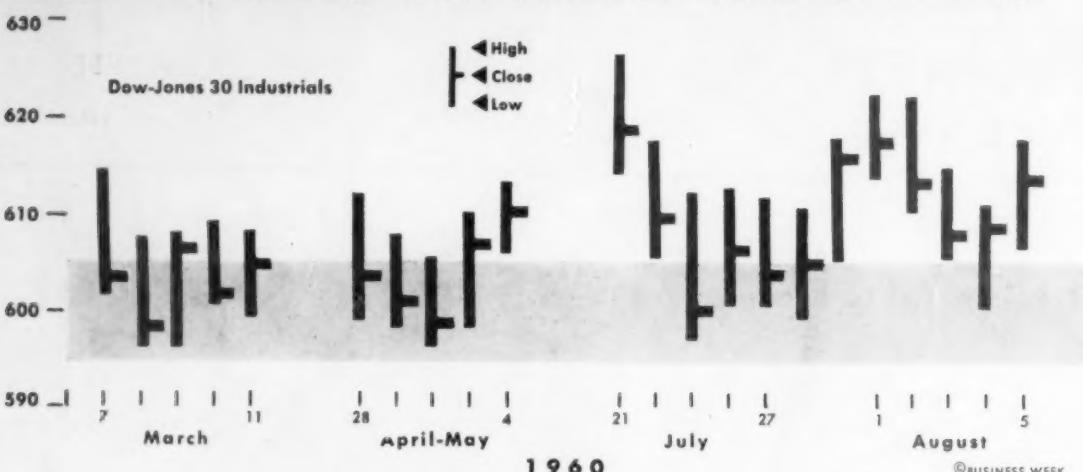
• **But No Panic**—Many market men were surprised that the selling wave did not continue. Those who are pessimistic feel that the rise was simply a technical reaction to the sharp drop, and would be followed by a weaker market. But some analysts saw it as a sign that investors, while clearly nervous, are far from panicky.

The fact is that the market averages are not a true measure of what has been happening to stock prices. Many stocks in cyclical and basic industries—steel, autos, rubber, metals, machine tools—were already selling at extremely depressed prices. Even stocks that have both cyclical and growth characteristics—such as the aluminum group and the chemicals—have been hard-hit this year.

I. The Dow Line

Ever since the beginning of the year, when the Dow-Jones index hit a record peak of 685, investors have been appre-

Three Times Earlier the Market Bounced Back From 600



©BUSINESS WEEK

hensive about the economic outlook—and the prospects for common stocks. At a time of widespread optimism about the onset of the Soaring Sixties, stocks suffered a steady slide, declining to the 610 level in mid-February. Then the market rallied, only to fall back in March to 600. To followers of the Dow Theory, and to a few other market technicians, this was a signal of an official bear market.

Then the market moved up again. In late April, and again in July, the market hit 600. Each time, 600 proved a strong resistance point. While investors were clearly disappointed with the sluggish state of economic activity and the shrinkage in corporate profit margins, they apparently still hoped that conditions would improve.

• **Summer Rally**—In August a rally got under way. Brokers reported that investors were becoming more confident about the chances of a fall upturn, and even some of the depressed steel and auto stocks got a good play. But the steel operating rate still showed no signs of a strong rise, and more and more economists—and businessmen—talked about the possibilities of a recession. The market started down again.

Last week, the index retreated close to the resistance line of 600. Trading was sluggish, and, as one Wall Street analyst put it, it was tantamount "to holding on the one-yard line." Many brokers felt that it would hold once again.

• **The Storm Again**—This week the line was decisively breached. Brokers recited off a list of reasons—the brouhaha at the United Nations (page 27), worries about the economy, "a buildup in nervousness." They also pointed out that the first wave of selling touched off many stop-loss orders—orders to sell when a stock hits a specific price. This, in turn, drove prices down even further.

And, indeed, when this automatic selling petered out, the market steadied once again.

II. Effect on Business

If the market continues to decline, it might well have an influence on the course of business. A market rise normally brings more spending on luxuries, for example, and a sharp decline can bring a cutback. In addition, it can have an impact on business' own spending, for corporate executives who see the price of their company's stock decline tend to take a more cautious attitude.

The largest part of the stock market's influence is psychological. But a sharp drop, like a big rise, can also have direct effects. For example, a company planning to sell stock in order to finance a capital equipment project may pull back if it feels that it will be diluting too much equity by financing in a sour market.

No one, of course, knows just what will happen to stock prices. But there are a lot of guesses. According to Richard Russell, a faithful adherent and interpreter of the Dow Theory, a drop below 548 in the Dow-Jones industrial index could touch off a nose dive that might touch the 1957 low of 419. Russell says that if 419 is penetrated, the market "could approach or test the extreme low level" of 161.60 reached in 1949.

• **Bear Views**—Others are not so extreme, but the drop in the market brought out a wave of bearish predictions. Eliot Janeway of Janeway Research Corp., who has been predicting a decline in both business and the stock market, feels that further "storm" is on the way. He adds that "So far the economy has merely sagged, but as it stumbles over the threshold of the new

operating year beginning this month, the slide will start."

Some Wall Street brokerages, which before the break had been issuing a series of "buy" recommendations, retreated behind an unaccustomed veil of silence. Privately, some expressed worries that many new investors, who had bought stocks simply because they were going up and not because they were cheap, may decide to get out now.

But there were still optimists around. Edmund W. Tabell of Walston & Co., one of Wall Street's top market technicians, said that he feels that the index can go as low as 525 but that it is more probable that it will fluctuate between 550 and 700 over the next few years. As he sees it, the "600-550 area" is a broad buying range, although he adds that "the next advancing phase, when it occurs, will be selective."

The market may well rebound if the business picture improves. And statistically, at least, the chances are that economic activity will show no sharp decline in the next month or two. According to government economists, the rise in automobile production and the seasonal upturn in activity that normally takes place this fall should maintain the economy on its present plateau.

But with so many stocks selling so far below their old peaks, there is no doubt that institutions, which have funds available, will be in snapping up bargains. They are not rushing in, because they feel that more selling may come. But they think that many stocks have already been through the wringer and are not likely to go very much lower. One bank pension man summed it up this way, "There's no sense in trying to buy or sell the averages. The thing to do is see if you can spot undervalued stocks, and today, for the first time in years, they are beginning to appear."



PRESENT IN BODY in U.N. battle is Soviet's Khrushchev.



PRESENT IN SPIRIT is China's Mao, whose challenge forces . . .

Khrushchev's Bid to Stay on Top

The most spectacular propaganda contest of the cold war got under way on schedule this week at the United Nations, with Nikita Khrushchev and Pres. Eisenhower on hand to head up the opposing camps.

Each, in his own way, aimed to swing world opinion to his side—and especially opinion in the troubled new nations of Africa. But, while public attention focused on this contest and on Khrushchev's tactics, Washington experts on the Soviet Union saw his performance as much more than an effort to win friends and allies in the non-Communist world. Behind the bumptious Soviet leader they saw the squat shadow of the absent Mao Tse-tung, aggressive dictator of Communist China and rival of Khrushchev for leadership of the Communist world.

• **Defensive Gamble**—According to these specialists, Khrushchev's dramatic invasion of the U.N., flanked by the chieftains of the European Soviet satellites—and even his over-all tactics toward the West today—are determined to a large extent by the compulsions of his sharpening struggle with Mao. His U.N. performance is a bold gamble to increase prestige and support within the Communist bloc, so he can bring Mao to heel.

Khrushchev's push to get control of the Congo, and the licking he has

taken there (page 137), are part of the same story.

Against this background the aggressive, hard-driving Khrushchev appears less formidable to the West. If this analysis of his current position is correct, he is betting high in the world power game to recoup the losses he sustained when his summit diplomacy collapsed.

• **Blunt Challenge**—The reasoning behind this assessment of Khrushchev's motives is this. The Soviet leader, like any other, must tailor his foreign policy to fit political realities at home. For him, "home" means not only the Soviet Union but the whole Sino-Soviet bloc. And the most conspicuous political reality within the bloc now is that Khrushchev's control is threatened by Mao's increasingly blunt challenge to his leadership and policies.

Not only are the two Communist leaders openly accusing each other of ideological heresy—a capital Communist crime—but Moscow is actively working to isolate Peking politically within the bloc. Moscow is even drastically cutting back sorely needed Soviet economic and technical aid to Red China.

• **Khrushchev's Aims**—As a result, Khrushchev is trying feverishly to convince politically influential doubters in the Communist world that his foreign policies—main target of Chinese Com-

munist attacks—are working. In more specific terms, he is trying to:

- Get his "peaceful coexistence" policy back on the rails. His refurbished disarmament proposals will seek to build pressure on the West to resume negotiations next year on terms better for him. He wants also a world reaction to demonstrate to his critics that peaceful coexistence is the only politically realistic policy for the nuclear age. The Chinese, on the contrary, have been arguing that the inherently exploitive nature of "imperialism" makes war inevitable.

- Prove that coexistence doesn't exclude effective promotion of Communist influence among underdeveloped countries, especially in Africa. He wants to show that Communism can be spread faster by working through "bourgeois nationalist" leaders in the new nations than by promoting violent Communist-led revolutions, as the Chinese urge.

I. Khrushchev's U.N. Chances

It's too early to appraise the results of Khrushchev's public relations gamble in the U.N. But at midweek signs indicated that the odds were dropping on his scoring the sort of triumph that would impress tough and canny Mao. Certainly Mao won't be impressed

simply because Khrushchev pushes for Peking's admission to the U.N.

• **Overplaying**—In the Congo, too, it looks more and more as though Khrushchev has overplayed his hand making it possible for Col. Motobu to take over and force Soviet bloc agents and diplomats to flee.

The Soviets this week compounded this defeat by trying to ram through the General Assembly what amounted to a vote of censure of U.N. policies in the Congo and of Secy. Gen. Dag Hammarskjold personally. This attempt to play on African and Asian neutralism and nationalism backfired when the Assembly gave Hammarskjold a resounding vote of confidence.

• **Questionable Gains**—Khrushchev can still point to the support of obstreperous Fidel Castro. But whether this will turn out to have been worth arousing Latin American fears of Soviet aggressions there remains to be seen.

The Soviet leader's pleas for disarmament, and his protests of willingness to coexist with the West if the West will let him, will undoubtedly win some favorable response from the Assembly's large neutralist bloc. But even here, he will have to contend with Yugoslavia's Tito. What's more, Eisenhower's fresh disarmament proposals and his account of the aggressive Soviet acts since the summit will, at the very least, blur Khrushchev's pitch.

• **Effect on Quarrel**—One thing seems pretty clear. Anything less than a smashing Khrushchev success at the U.N. is likely to intensify the friction between Moscow and Peking.

The West may not know how well Khrushchev's stunts in the U.N. have gone over in Peking and the other Communist capitals until the Soviet leader visits the North Korean capital of Pyongyang next month. He is expected to meet Mao there for what many Soviet experts regard as a last-chance effort to patch up their quarrel.

If they fail, Khrushchev is reported planning to summon the leaders of all the Communist countries to a solemn conference at which the Chinese Communists would be called upon to knuckle under or face isolation in the Communist club.

II. How the Rivals Stand

Stalin's death left Mao Tse-tung the elder statesman of world Communism. He is reported to despise Khrushchev as an upstart and a vulgar clown—while he, Mao, not only is a brilliant intellectual and theoretician, but brought 600-million people into the Communist fold. Khrushchev, for his part, cannot, as leader of the first successful Communist state and the world's second strongest power, concede any rights of leadership of the bloc.

Underlying the power struggle are the radical differences between the Soviet and Red Chinese national interests as they stand today.

• **Soviet Motives**—The Soviet Union is a relatively underpopulated nation with—by Chinese standards—an affluent and contented people. The Soviet leaders are driven by no strong compulsions for outright territorial expansion. Perhaps most important, as possessors of a formidable nuclear armory, they know very well that war not only would kill millions of people but would destroy their own economic gains of 40 years.

• . . . and **Chinese**—Mao by contrast needs a foreign devil to frighten his people into the disciplined effort necessary for economic takeoff. He needs territory for his bulging population.

He has few restraining diplomatic ties—and a burning grudge to settle with the U.S. over Formosa. Having no nuclear weapons, he may not fully understand their destructiveness. Reports reaching London say that Mao has become very like Stalin.

• **Issue of War**—For the West, of course, this power struggle has implications far beyond its effect on Khrushchev's tactics at the U.N.

For the Sino-Soviet power struggle has come to a head over the basic issue of war and peace. Khrushchev apparently believes Communism can win with a policy of peaceful coexistence spiced with continuous but relatively low-risk efforts to subvert Free World outposts. Mao's policy calls for stronger revolutionary pressure on the West and for nuclear brinkmanship.

• **Possible Gains**—To the Free World, an open break between the two Communist power centers would destroy the monolithic facade of the Communist bloc that contributes so much to its intimidating image. Various possibilities would open up for playing one off against the other. Khrushchev might be so alarmed by the specter of a hostile Chinese dragon on his Eastern border as to feel obliged to make real concessions to the West.

• **And Possible Dangers**—The possible dangers for the West are harder to assess. The Soviets are widely believed to have exercised a restraining influence on Chinese military adventures. Khrushchev, now, might feel forced to compete even more vigorously with Mao in aggressiveness.

• **Khrushchev's Future**—Finally, you can't exclude the possibility that isolation of Red China from the Communist fold might leave Khrushchev vulnerable to grave charges of mismanagement. If, at the same time, his overtures to the new U.S. Administration for resumption of negotiations were rebuffed—as they might well be—Khrushchev could find even his leadership in the Soviet Union threatened.

New Focus

Railroad union leaders this week sharply criticized industry strike insurance plans as "an unhealthy alliance" against labor. They threatened to meet the carriers' mobilized resources with a fuller mobilization of labor.

A week earlier, the Brotherhood of Railroad Trainmen challenged the year-old rail strike insurance program in court as an "illegal conspiracy" under federal antitrust laws and an "illegal pooling of assets" under the Interstate Commerce Act. The BRT asked \$10-million damages (BW—Sep. 17'60, p14).

The railroad unions' worries about the rail industry's insurance plan are shared by all labor. The unions see it as part of a broad campaign to toughen management's position against labor.

• **Precedents**—There are several precedents for the rail plan:

• One of the first strike insurance plans cropped up in the publishing industry at least 10 years ago when the American Newspaper Publishers Assn. set up a "suspension insurance" plan for newspapers. It now covers some 400 papers.

• In 1956, sugar plantation employers in Hawaii united in a mutual support program to distribute long-term strike losses evenly among growers. The plan operated effectively during a four-month walkout in 1958 (BW—Jun. 28 '58, p95). It now covers 44 plantations.

• In 1958, six major airlines joined in a mutual assistance agreement. They pledged that lines maintaining operations would pay a struck carrier any increased revenue—over costs—they might receive because of a diversion of passengers or freight.

Other industries have thought about establishing some such plan.

In May, 1959, the steel industry considered adopting a mutual aid plan similar to the one the airlines worked out in the event the United Steelworkers struck some but not all producers (BW—May 16 '60, p26). But the plan was dropped.

Truck companies, meeting last February, also studied proposals for a mutual aid plan or strike insurance, but took no further action after James P. Hoffa warned the Teamsters would meet the challenge with a big strike fund.

I. The Railroad Plan

Last fall, the railroads adopted their "service interruption insurance" plan that covers a portion of a struck road's fixed costs under certain conditions. The plan presumably has covered part of the costs of at least three struck

on Strike Insurance

● The rail industry's plan, operative in several recent strikes, has aroused the interest of other employers.

● Some believe the rail plan is more practical than earlier types of strike insurance.

● Carriers say each participating road worked out its own terms with insurer, deny union claims of "pooling."

carriers this year—the Alton & Southern RR for a walkout about six months ago, and the Long Island RR and Pennsylvania RR recent stoppages.

Many in management and labor consider the railroad insurance plan more practical than the older programs, and many employers are frankly interested in it.

• **Terms**—The railroad plan was sponsored by the Assn. of American Railroads, which said it was worked out in cooperation with the Imperial Insurance Co. Ltd., in Nassau. It protects individual carriers against union work stoppages (1) to enforce demands contrary to the provisions of the Railway Labor Act, (2) to enforce demands contrary to the recommendations of a Presidential emergency board, or (3) in resistance to the application of recommendations of the emergency board.

The indemnity for average daily "fixed expenses" is payable for up to 365 days of suspended operations in a single work stoppage. "Fixed expenses" are listed as property taxes, interest on debts, pension fund payments, and employment of "managerial workers deemed essential for maintaining the property and resuming service at the end of a stoppage."

The plan, conditioned upon ratification by lines representing at least 65% of the industry's gross operating revenue, was ratified quickly.

• **Justification**—When the insurance plan was proposed in July, 1959, Don P. Loomis, president of the AAR, said that it resulted partly from an ironic situation in which the carriers must help finance strikes by their employees. Under the federal railroad unemployment insurance law, railroad employees engaged in a "lawful" strike are paid unemployment benefits from a fund to which the railroad companies are the sole contributors.

The railroads are the only industry covered by such a law. Under its terms, workers who struck recently against the Pennsylvania RR will be paid up to \$10.20 a day for seven days of the walkout (page 49).

• **Costs and Benefits**—Generally, industry spokesmen have talked, officially,

only in the broadest of terms about the insurance plan.

Unofficially, it's known that roads are insured for fixed charges up to a maximum \$600,000 a day. Presumably, the Pennsy was due that amount during its recent strike. The Long Island RR got about \$50,000 a day.

Participating roads set up the insurance plan with an initial payment equal to the amount of their fixed charges for one day—up to the \$600,000 maximum. They also agreed to pay premiums of varying amounts to the newly established Imperial Insurance Co., Ltd., with increased "emergency" payments to be made in the event of a strike against any road or roads.

The benefits arranged were just enough to assure "bare survival" of struck carriers, according to G. S. Prince, AAR general counsel. Prince also said that "pooled resources" aren't involved.

Clair M. Roddewig, president of the Assn. of Western Railways, with 43 carrier members, also stressed that different roads have different arrangements with the insurer—they buy their own insurance, pay their own premiums, determine the amount of losses they want covered.

• **Union Charges**—Nevertheless, when the Trainmen's suit reaches trial, according to the union's attorney, Robert Elkind, the BRT will argue that the roads are pooling assets or resources without obtaining Interstate Commerce Commission approval.

The BRT also plans to charge that an "illegal conspiracy" exists in violation of the antitrust laws, and that the Imperial Insurance Co. Ltd. is only a "front" for the carriers.

II. Other Programs

Although it's an old plan, not much is known outside the newspaper industry about the ANPA-sponsored strike insurance program.

• **Newspaper Insurance Costs**—Some 400 dailies are covered, and may receive indemnity up to \$10,000 a day beginning with the eighth day of a strike that forces the suspension of publica-

tion—up to \$500,000 during a year. There is a maximum aggregate indemnity of \$2-million for all papers in one city or under one labor contract.

The cost to publishers is about \$123 a year for each \$100 of daily indemnity (\$12,300 for the maximum amount) for 25 days' coverage; \$163.50 for 50 days, and \$203 for 100 days. Double indemnity for lost Sundays, \$20,000 instead of \$10,000, costs 10% more.

To be eligible for benefits, a publisher must offer to arbitrate the dispute under most circumstances. Benefits are paid if the union refuses to arbitrate and a strike follows.

• **Airline Pact**—The airlines' mutual aid plan went into effect when the industry was in the throes of serious labor troubles. Inter-line payments totaled \$9.5-million during the first year.

The plan covered six lines initially. They agreed (with tentative Civil Aeronautics Board approval) that no participating airline should profit from a strike against a competitor line, and that, to prevent this, payments would be made to struck lines by those still operating—limited to extra profits generated by the strike.

The agreement restricted benefits to illegal strikes or those in which union demands "exceed or conflict with" recommendations of a Presidential emergency board named under the Railway Labor Act.

Other airlines are currently petitioning to join the airline plan. The Air Line Pilots Assn. criticizes it as "a mutual aid ganging up," that has "promoted the same thing on our side of the fence." (Seven unions have organized a protective Assn. of Air Transport Unions to "lend assistance" to a union that strikes.)

• **Retaliatory Move**—The mobilization of employers—by effective pooling of industry strength—has been strongly influenced by labor's effective use of "divide and conquer" tactics, particularly the ability of a strong industrywide union to compel a single employer in a competitive market to submit to union terms in a dispute.

Where mutual aid or insurance plans have been adopted, the union's power has been restrained somewhat. Aware of this, employers and some of their trade associations are beginning to talk of more "protective" plans.

• **Hazard**—However, there is a recognized hazard (BW-Sep. 17 '60, p202). Both sides can muster more strength, massing power against power.

Worried about what management is doing, the Industrial Union Dept. of AFL-CIO is raising an IUD strike fund, and it is considering buying strike insurance from Lloyds of London or some other insurer, to be used to support any "legal" strike if a union's own resources need reinforcement.



"IRON HORSE RAMBLE" put on by Reading for rail buffs features chance for "speed picture shot" of train tooting around curve.

Reading Brings Back Steam—and Pa

A repainted and repolished steam locomotive of the Reading Co. railroad puffed into Schwenksville, Pa., last Saturday with a trainload of 1,200 passengers, and most of the town's 621 people turned out to watch the visitors enjoy an open-air Pennsylvania Dutch supper.

It was a happy day for everyone:

- Rail buffs came from all over the country to ride behind one of the last active passenger steam locomotives in the U.S., and enjoy not only the sights of the scenic Perkiomen valley but the color and nostalgia—and cinders—of the huffing and puffing coal burner and its throaty whistle.

- Schwenksville fed its visitors a traditional Pennsylvania Dutch meal of fried chicken, pepper hash, corn on the cob, and shoofly pie—and took in \$2,200 for its new library.

- The Reading reaped an incalculable amount of goodwill both from the passengers and the community, met its operating expenses, and even made a profit.

- **Unexpected Benefits**—The trip is part of an offbeat community and public relations program of "iron horse rambles" that has brought the 127-year-old railroad benefits it never dreamed it could reap from such nostalgic journeys back to the era of steam.

For the highly individualistic fraternity of rail buffs, the Reading last October pulled out of retirement Engine No. 2124—a giant 400-ton steam locomotive that carries a full load of 19,000 gal. of water and 26 tons of coal. The refurbished iron horse has been the object of affection and of countless pictures taken by more than 10,000 people it has carried in the rambles.

The Reading, as pleased as its customers, calls the rambles a "smash hit." Each of the 13 excursions over the last three seasons has been a complete sell-out. "There's no doubt," says Sidney R. Spencer, passenger traffic manager, "we have one of the greatest attractions in rail passenger service today."

- **All for the Buffs**—The rail buffs stream in from Boston and California, New Hampshire and Michigan, even Canada and the Panama Canal Zone. The Reading caters to their every whim.

Standard railroad regulations literally go out the window, as the buffs lean far out to get pictures of their beloved No. 2124. They sit in engineers' caps and goggles, with kerchiefs over their noses, oblivious to cinders and smoke that blow in (there's a train doctor for removing cinders from eyes—an average trip produces 20 such cases).

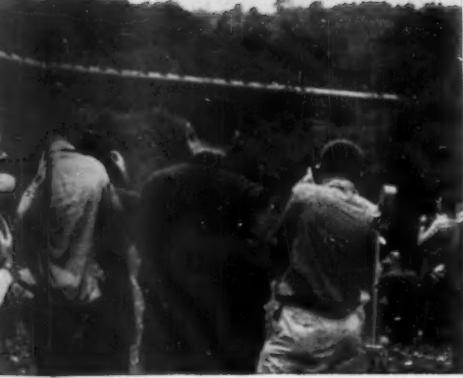
The closer a rail buff can get to the

locomotive the better. So the Reading has a special slatted baggage car right behind the engine for those who want to take close-up shots and recordings of the coal burner in action. Fans with cinder-blackened faces sit happily listening to the engine's puffing and the "whistle script" the railroad has written, prescribing special whistle salutes along the route.

Sometimes the big iron horse passes a smaller 52-ton camelback steam engine used by a steel company, and the interplay of whistles of different pitches provides sweet music for the buffs.

- **Communities on Parade**—The Reading's rambles bring thousands of visitors—and their money—into many up-state Pennsylvania towns that rarely see tourists and never a passenger train. For most of the rambles have been, ironically, over some of the Reading's freight-only tracks. Steam engines have not been used in the road's regular services for years.

Thousands in the communities turn out to watch the train. The rambles follow different routes over the Reading's 1,300-mi. system—chugging along the picturesque Susquehanna Valley, Perkiomen Creek, the Catawissa Branch, through such towns as Phoenixville, Pottstown, Quakertown.



RULES ARE OFF as goggle-eyed buffs lean from windows to watch the engine.



NOSTALGIA for old days doesn't include cinders—these veterans keep window closed.

and Passengers

An unexpected result, says a Reading spokesman, has been a "vast improvement in relations with communities along our lines." Most rambles have themes—one took the buffs to Gardners, Pa., for an apple blossom festival, another to Gettysburg revived Civil War days. This week the iron horse is rambling into Tamaqua, Pa., for a look at Indian Pageantry and ceremonies.

• **Schwenksville's Day**—The Schwenksville trip naturally stressed the Pennsylvania Dutch theme. Ladies in bonnets dished out the supper.

Before the locomotive steamed out again, the visitors had spent money on homemade peach pies, apple butter, hex signs, watched a quilting bee, and commented on the warmth and enthusiasm of the Schwenksville welcome.

Much of the warmth was directed at the Reading, whose president, E. Paul Gangewere, made the trip, chatted with passengers, and presented the Schwenksville library with a \$2,200 check (representing payment for the dinners that were included in the \$7.50 price of the railroad ticket for the trip).

Gangewere got a huge key to the town, a bouquet for his wife, heartfelt thanks from the citizens, and a plea to repeat the event in Schwenksville next year. He gave his pledge.

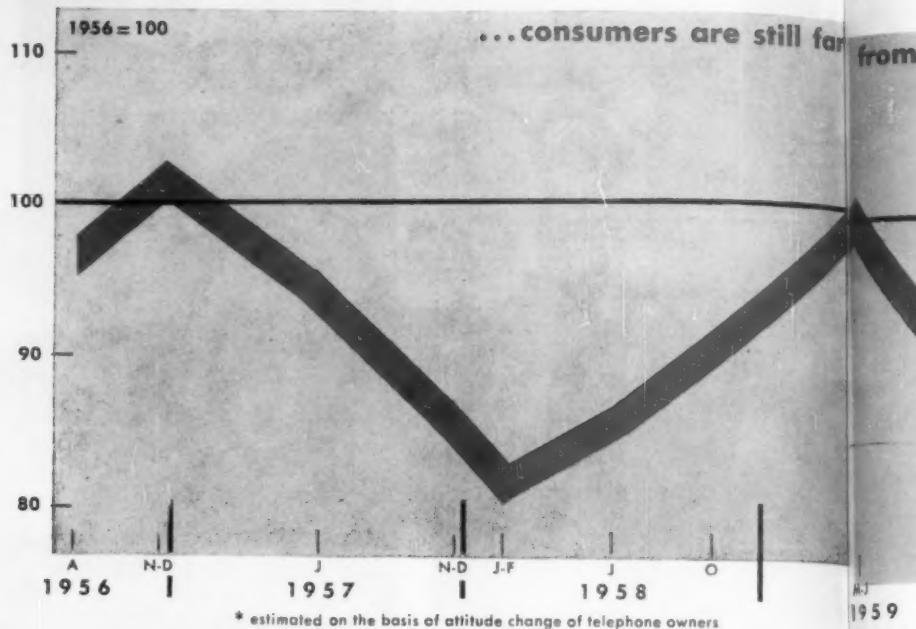


COMMUNITY welcome for steam train's 1,200 passengers by Schwenksville, Pa.'s 621 people gets keynote from high school band; later came a German band, square dancers.



PENNSYLVANIA DUTCH supper of fried chicken, shoo fly pie is served on station platform and on roped-off main street; it brought in \$2,200 for the Schwenksville library.

Index of Consumer Confidence



Consumers Still Hesitant About B

The data illustrated in the charts add up to this: At a time when businessmen and economists are showing increasing concern about the economy, the consuming public is also persistently worried about the possibility of a recession—yet its actions in the marketplace itself may help stem any further downturn.

This analysis of the latest consumer attitude study released this week by the University of Michigan's Survey Research Center may appear paradoxical at first glance. But it makes some sense because (1) the sharp deterioration of consumer confidence between February and May of this year has now apparently flattened out and (2) consumers generally think now is a pretty good time to buy household goods and cars, partly because of favorable price conditions.

Consumers now realize more widely than a few months ago that there is a letdown in business. How they react to this realization from now on will have an important influence on where business goes from here. This is especially true in view of continued cutbacks in capital spending plans by business (BW-Sep. 10 '60, p25). So, to get a fast reading on the public at this crucial moment, the Survey Research Center conducted a re-interview by telephone of 600 of the families it queried in face-to-face interviews last May.

• **Forthcoming Survey**—A fuller check on the consumer and his buying intentions also will be available to economic forecasters in the next few days when

the Federal Reserve Board releases for the first time results of the Quarterly Survey of Consumer Buying Intentions. The Bureau of the Census has been running the survey for FRB on an experimental basis since January, 1959.

This new series, covering a sample of some 15,000 to 20,000 households, brings to four the number of general consumer buying intentions surveys. The National Industrial Conference Board, in cooperation with Newsweek magazine, conducts a continuing survey of a large number of families. In addition, the National Bureau of Economic Research has made studies of consumer buying plans using a sample of the readers of Consumer Reports.

The work of George Katona and Eva Mueller at Michigan's Survey Research Center predates these latest efforts to keep tab on the consumer, going back to 1946 when the initial groundwork was laid. Since then, periodic surveys of consumer attitudes as well as buying plans, some of them sponsored by the Federal Reserve Board, have given a continuous reading of the U.S. consumer through the ups and downs of the postwar economy.

In the Survey Research Center's last full-blown consumer survey taken in May, it was found that U.S. families had lost much of the bounce they felt last February, immediately after the end of the long steel strike.

• **Shifting Attitudes**—Now the picture may be shifting again. When Survey Research Center interviewers approached consumers in August (a time

when recession talk was growing), this is what they found:

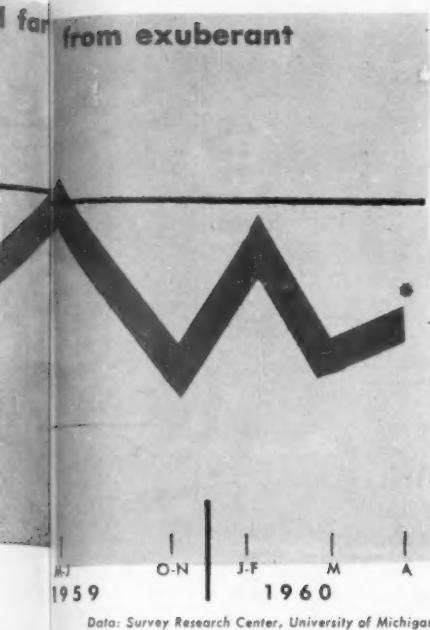
- Over-all, consumers are slightly more confident than they were in May, as measured by the Index of Consumer Attitudes based on six attitudinal questions. When you add in two more questions about intentions to buy cars and houses, the index slips a little. But the important thing is that "the considerable deterioration in consumer sentiment between February and May has been arrested."

- As far as general business conditions are concerned, there are more worried consumers now than in May. This stems mostly from the fact that there has been no stimulus of good news since February, and this was just as true in August as it was in May, if not more so.

- But the very fact that many more people think business isn't so good as it was last year leads them to believe that now is a better time to buy household goods and cars. The explanation for this, says the Survey Center, is that fewer people think prices will rise and, since most people regard a rising price level as an unfavorable development for buying, there is an improvement in their attitudes toward making major purchases.

- Actually, there is still no marked improvement since May in firm intentions to buy durable goods. However, the August survey indicates that the February-to-May downturn has been arrested.

- As might be expected, there was



Data: Survey Research Center, University of Michigan

Buying

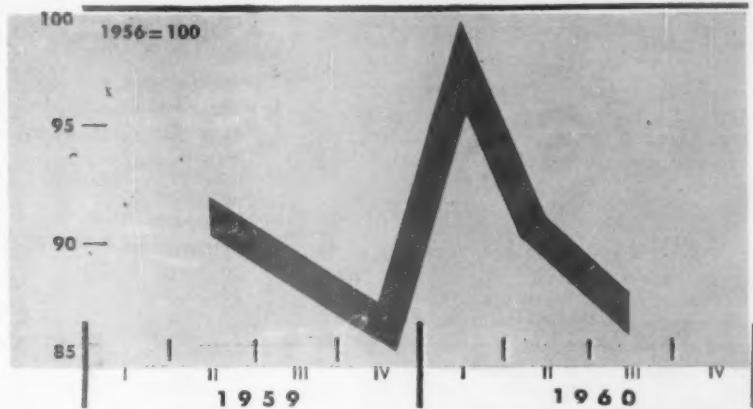
a slight increase in worries about job security and employment opportunities. But, despite their uncertainty about business conditions, fewer people than in May reported to the Survey Research Center that they personally had experienced financial adversities.

• **Optimistic Interpretation**—These survey results indicate that the consumer is still hesitant about making major purchases and still lacks the buoyancy that characterized his attitude after recovery from previous postwar recessions. But it is the opinion of George Katona, program director of the consumer surveys, that as far as the consumer is concerned there are no signs to support predictions of the onset of a deep recession. At most, he says, "It indicates a sidewise movement; in other words continued hesitation."

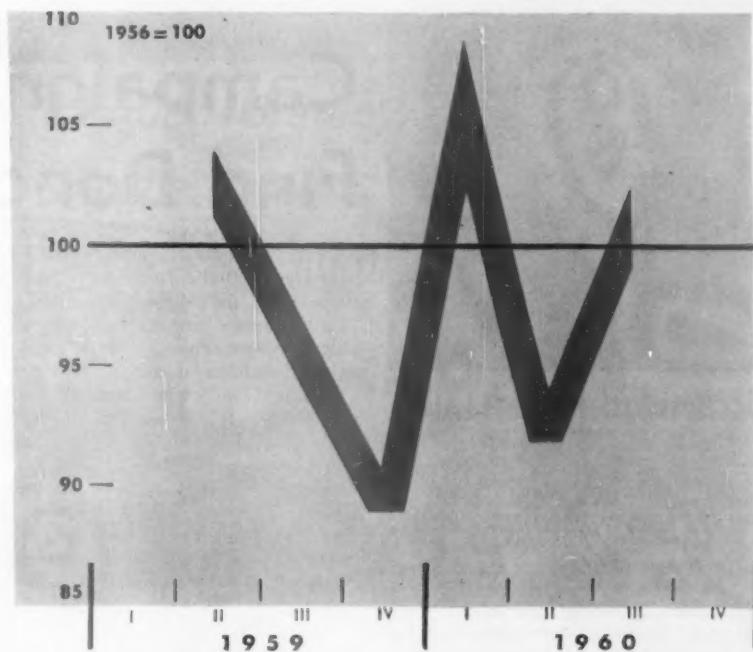
If the consumer is in fact pleased by price tags and doesn't encounter sharp layoffs and cuts in work hours, then it is possible that he is in the mood to provide stimulus to the economy.

In fact, what the economy may be experiencing is a recurrence of the pattern of two previous postwar recessions—1948-49 and 1953-54. Both times, when other leading business indicators either were predicting a sharp downturn or failed to show any recovery, Michigan's consumer surveys found people more favorably disposed than might be expected. It is Katona's belief, laid out in his book, *The Powerful Consumer* (McGraw-Hill), that the consumer, in these two periods,

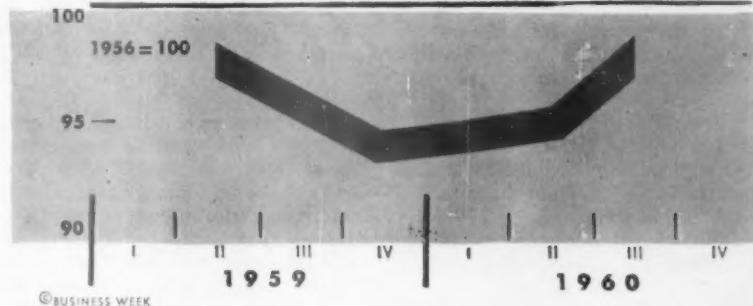
...and their attitude about business conditions during next year is less optimistic



...yet more of them think this is a good time to buy household goods



...and more consumers think their own financial situation is better now than last year



stemmed the tide of recession by his optimism about his personal finances and the prices he would have to pay. Despite cutbacks in production and capital outlays by business, the consumer continued to buy.

The FRB, in its decision to conduct surveys through the Census Bureau, says that a much larger sample and more frequent surveys are needed. Its new quarterly survey is being confined strictly to questions about intentions to buy such things as appliances, cars, and houses. The FRB technicians believe this will give them more definite results. Katona, on the other hand, argues that such statements can only be interpreted in the light of other consumer attitudes about the economy and about personal financial experiences.



Scrambled Phone Talk

The conversation that comes through the telephone attachment shown above would frustrate a phone tapper or curious telephone switchboard operator. The sound that goes over the phone wires is pure gibberish.

The device is the first fully portable electronic "scrambler" to preserve secrecy in telephone communication for business and law enforcement agencies.

• **Deliberate Distortion**—The scrambler, made by Delcon Corp. of Palo Alto, Calif., works by transposing and distorting high, low, and middle frequencies—a basso sounds like a soprano talking backwards. A matching unit at the other end of the conversation turns the garbled noise back to understandable sound.

There are no wire connections to the phone—the scramblers are merely held against the regular telephone mouthpiece and earphone after the call has been put through.

Delcon has started production of the scramblers for delivery after Oct. 1. The price is \$219 per pair.

"Nobody's raising new issues to get my money . . . They're not even fanning the flames of old issues."
—Chicago businessman, a registered Republican.

"We're doing all right now, but it's the last five weeks of the campaign that really tell."
—Thomas M. Cole, New York Democratic finance chairman.

"They keep saying: 'Jack Kennedy? He needs money?' . . . It makes it tough."
—Denver Democratic fund-raiser.

"Businessmen are responding better than ever . . . They're scared of the Democratic platform."
—T. Spencer Shore, Republican finance chairman, Cincinnati.

"Labor's rank and file will give more this year because at last the Democrats have a good chance of winning."
—Ohio Teamsters leader.

Campaign Fund Drives Find Donors Laggard

Only six weeks remain before Election Day, and the Democratic and the Republican national organizations are bearing down heavily in their campaign to raise money. Both need it, in million-dollar wads.

Says a Democratic national finance official: "From here on in, it's going to be bad if we don't average \$100,000 a day coming in."

And last week Republican National Chmn. Thruston B. Morton said: "I don't know where next week's [National Committee] payroll is coming from, and I need at least \$4-million."

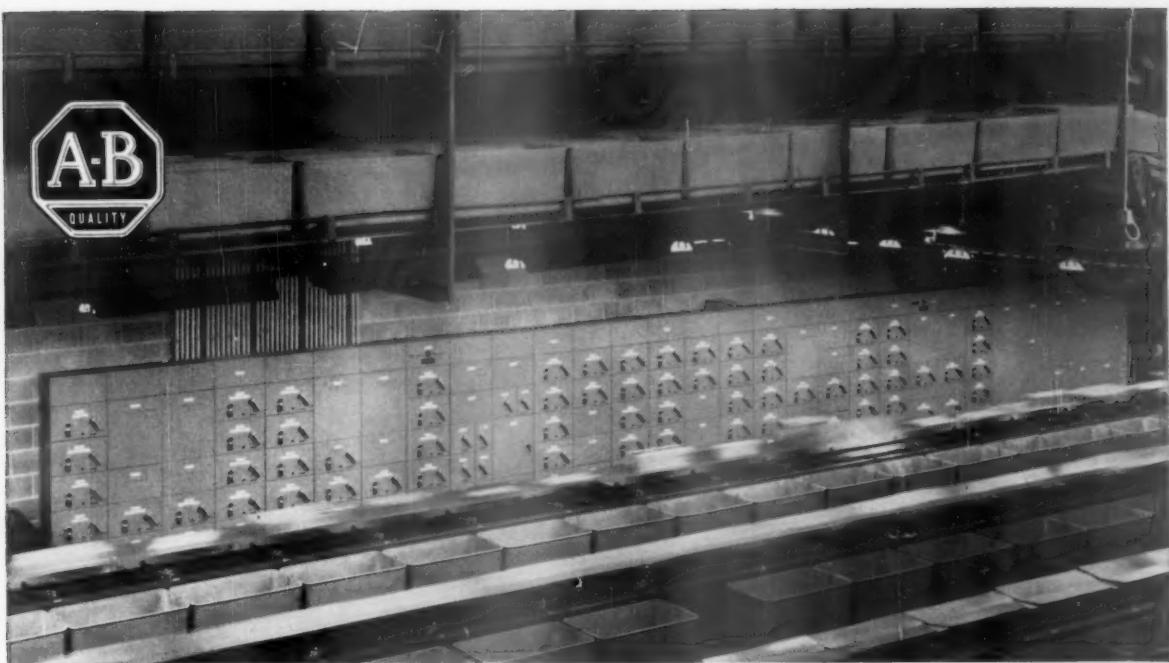
Yet, throughout much of the nation, the two parties' appeals for money are running into bland apathy. Fund-raising is moving slowly. And this is almost certainly a reflection of the Presidential candidates' own calm campaigns so far. At the state and county levels in almost all parts of the country the parties' fund-raisers say they are collecting money about on a par with the 1956 Presidential campaign—but they recognize that this time they have a broader and more expensive campaign to wage. These are the findings of a survey made this week by BUSINESS WEEK reporters among political fund raisers and contributors.

• **Lost "Fat Cats"**—In Texas, it's different. There, the Democrats are losing the financial backing of some they

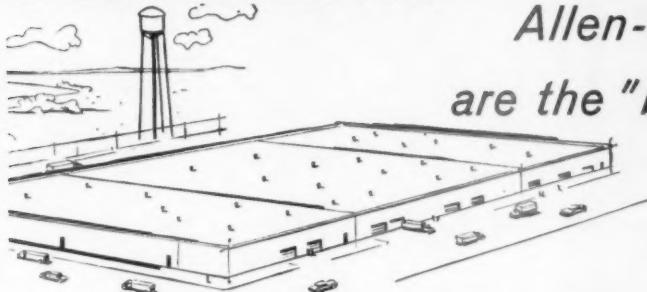
have counted among their fattest "fat cats" in previous campaigns. Dozens of Texas independent oilmen and some in California, who ordinarily put large wads of money into their party's coffers, are vociferously indignant about the plank in the Democratic platform that says "We shall close the loopholes in tax laws [such as] depletion allowances, which are inequitable. . . ."

Vice-Pres. Nixon, campaigning in Texas, has told the oilmen the Republicans will see that depletion allowances continue. Sen. Lyndon Johnson has done his best to persuade the oilmen that the platform doesn't mean an end to the allowances. But so far Sen. John Kennedy has not told them his view of the plank. So Republicans in Texas are now collecting big sums from the oilmen. And it's the oilman's money more than his vote that concerns the Democrats.

Neither party can afford to admit that it is well off. The reverse psychology—to plead always for more—is considered an essential part of the delicate task of parting a citizen from his political contribution. Yet, even after discounting some of the "desperate" pleas for more, made by the state and county political fund-raisers, it seems that collections are lagging through much of the country. Says one Democratic county chairman in Colorado:

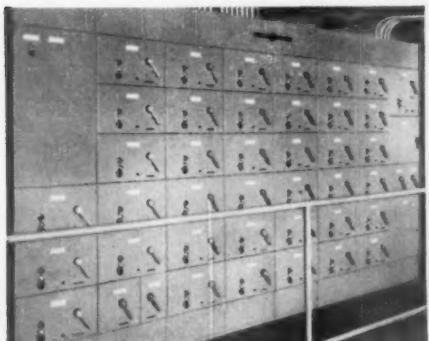


One of three A-B control centers, this unit is 48 feet long.

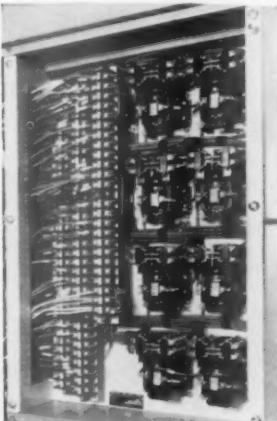


New 13-acre General Merchandise Company warehouse at Wauwatosa, Wisconsin

*Miller & Waltz A.I.A., Milw., Wis.
E. W. Wilke, Electrical Consultant, Milw., Wis.
Staff Electric Co., Electrical Contractor, Milw., Wis.
Klefstad Engr. Co., Designer, Gen. Contractor, Chicago*



This Allen-Bradley multi-unit center controls all of the conveyor motors in the shipping room. A third control center (not shown) houses 84 additional A-B solenoid starters.



Among the other A-B controls in this system are 147 control relays, 63 time delay relays, and 75 limit switches, plus other miscellaneous A-B controls.

Allen-Bradley Control Centers are the "brains" for a 22,000-foot completely automated conveyor system

In the new General Merchandise mail order warehouse, a 22,000-foot, fully automated conveyor system sorts and assembles 100,000 pieces of merchandise a day—with a 90% reduction in handling costs! Because uninterrupted operation is so important to the success of this complex system, it was a natural for Allen-Bradley—the quality control.

Allen-Bradley motor controls are completely dependable because they have the simplest operating mechanism yet devised—there is only ONE moving part. This solenoid design assures millions of trouble free operations. Double break, silver alloy contacts—standard on all A-B controls—are always in perfect operating condition without service attention. In addition, all Allen-Bradley starters have reliable and permanently accurate overload relays to protect against motor burnouts.

To insure the success of your automatic equipment, insist on Allen-Bradley—the most dependable motor control you can buy.

ALLEN-BRADLEY | Quality Motor Control

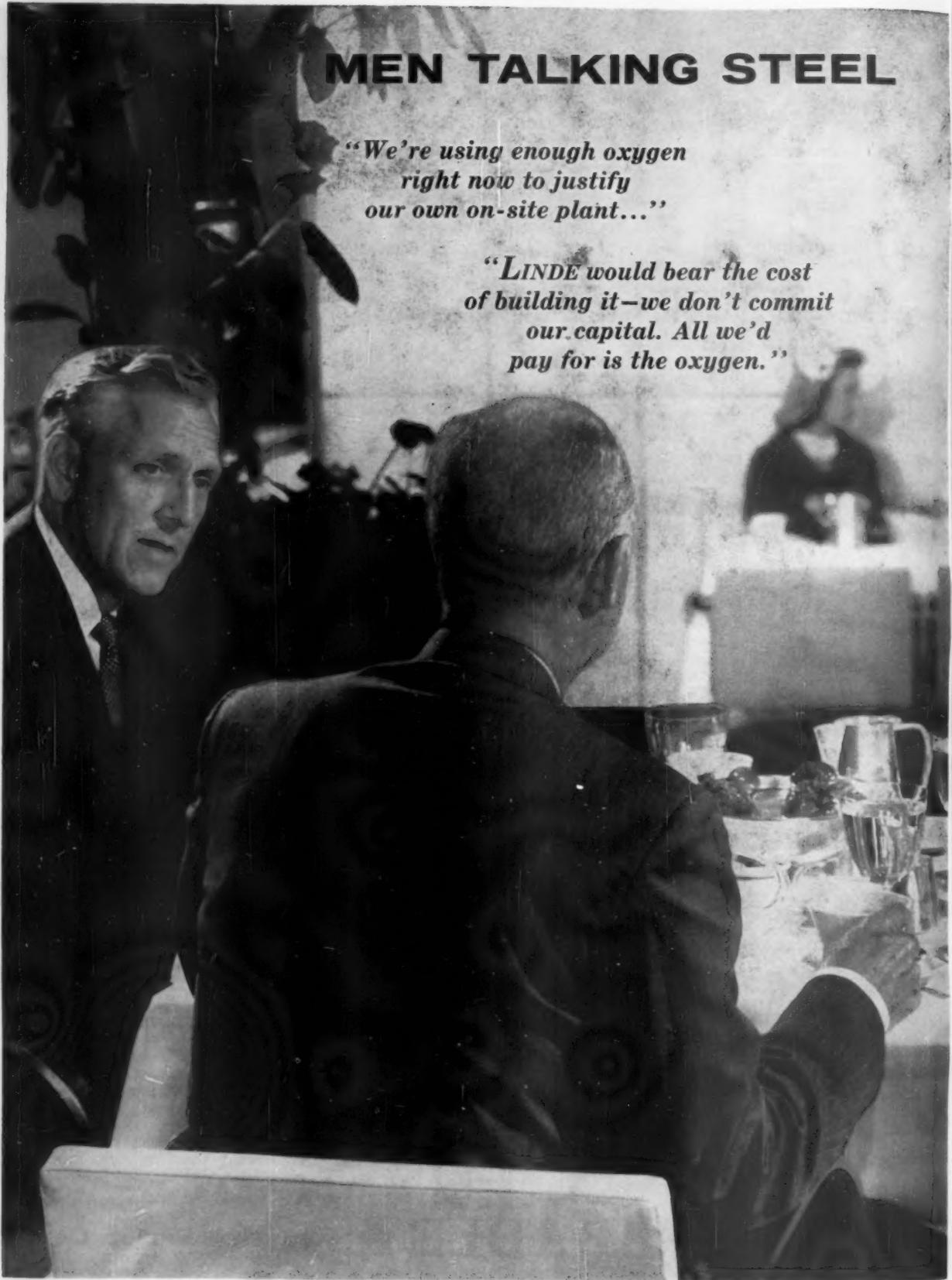
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MEN TALKING STEEL

*"We're using enough oxygen
right now to justify
our own on-site plant..."*

*"LINDE would bear the cost
of building it—we don't commit
our capital. All we'd
pay for is the oxygen."*



ARE TALKING LINDE OXYGEN

"With several times the back-up capacity of anyone else, LINDE can always meet emergency calls too."

"More reasonable than I expected."



To get the full set of facts on how LINDE applies *total gas technology* to on-site plants for the steel industry, write Linde Company, Division of Union Carbide Corporation, 270 Park Avenue, New York 17, N. Y. In Canada, Union Carbide Canada Limited, Linde Gases Division, Toronto 12.

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"Contributions have been good, but there's still a lot of apathy."
—**Joseph Hunting, Michigan Republican finance director.**

"We don't need to harp on the issues this time. We assume all Republicans know how important this election is."
—**Philip Sharples, Pennsylvania Republican finance chairman.**

"People don't really cut loose with their money until they get mad. That's why we're getting a good deal of money from oilmen who are mad at the Democrats' plank against depletion allowances."

—**Republican fund-raiser in Dallas.**

"I've never found it so hard to stir up interest in a campaign."

• **The Targets**—The two parties would like to raise at least \$6-million each between now and Election Day for their national campaigns.

TV takes probably the biggest share of national campaign costs. Four years ago, the two parties spent a total of \$7-million for radio and TV time for their national campaigns, and \$5.3-million of that was for TV. In this campaign the TV costs are certain to be greater than in those past.

So far neither side has been able to carry out its more expensive TV plans. Last week, the GOP wanted to sponsor a half-hour network show featuring one day of Nixon's campaign—a day that had taken him to Baltimore, Indianapolis, Dallas, and San Francisco. But the bill would have come to \$225,000. The GOP National Committee couldn't find the money. The TV networks wanted payment in advance. And so the show was cancelled.

• **Production Costs**—A half-hour of prime evening TV time is usually not so expensive. The GOP's bill on this occasion would have included \$125,000 for the time and an additional \$100,000 for film clips, tapes, and the high production costs of fitting Nixon's four separate appearances in four different cities into one cohesive half-hour program.

These are the kind of costs that force the political parties to seek such large campaign funds nowadays. Both national committees estimate that of the \$6-million minimum each needs from now to Election Day, some \$3-million will go for radio and TV programs (most of it for TV), a little more than \$1½-million for travel expenses, and a little less than \$1½-million for overhead and salaries.

Rudimentary balance sheets of the parties' national organizations are a matter of public record. They show that the Republican National Committee in the first eight months of this year, took in \$1,527,335 and spent \$1,455,367; that the Democrats got \$1,274,084 and spent \$1,335,134 (for a \$61,000 deficit).

Only in Texas and, to a smaller extent, in California could BUSINESS WEEK reporters find that the party platforms have so far decisively affected the parties' fund-raising.

Elsewhere, there seems little interest in the subjects at issue between Democratic and Republican platforms as adopted at the recent conventions.

In Southern California, the Democrats have been torn by local bitterness over who's to run the region's fund-raising. This delayed for weeks the Democrats' choice of a man to run their finance committee. The job was turned down by Edwin Pauley, an oilman, and Mark Boyer, a financier. Now William Monnell, a California state assemblyman, has finally taken the job. But the disputes and delays have left the party in poor financial shape in Los Angeles. There's word that the Democrats there may hire professional fund-raisers, despite the high price they will have to pay for this as opposed to the low costs of doing it with amateur fund raisers.

• **Eating to Prosperity**—One certain thing in the parties' campaigns for cash is that their Presidential candidates must have durable and adaptable digestive systems—for this year the fund-raising dinner seems to be the most favored means of collecting big sums.

The Republicans, however, plan to ease the strain on Nixon by linking 35 of these \$100-a-plate dinners—held on the same night in 35 different cities—into one vast meal by connecting them with closed-circuit TV. Nixon will address all the GOP diners from Boston; Pres. Eisenhower, from Chicago; Henry Cabot Lodge, GOP Vice-Presidential candidate, from Los Angeles. From this one night, GOP National Finance Chmn. J. Clifford Folger expects the Republicans will net \$3-million or more, and he has been concentrating on making the most of it.

Kennedy will follow the same trail the hard way for the Democrats, appearing in person at most of his party's major dinners. In six days this week and last week, he ate at three major fund-

raising dinners that netted more than \$1½-million. Just under \$1-million of this went to the Democratic National treasury and the remainder to the state and county organizations that sponsored the dinners. At least a dozen more major dinners are on his schedule.

• **"Special" Gifts**—Neither party, of course, relies on any single gambit for raising its money. Sidney Salomon, Jr., a St. Louis insurance executive who is the Democratic national finance chairman, has about 40 top-drawer Democrats—mainly business and professional people—working directly under him to solicit what are delicately called "the larger contributions"—\$1,000 and up.

Republicans work somewhat differently. The GOP National Finance Committee last December worked out state-by-state quotas, based on a complex formula that takes into account population, party strength, and some basic indicators of the economic health of each state. The actual money-raising is left to the state organizations, and all contributions originating in each—no matter whether an unsolicited contribution received in Washington by mail or the receipts from a closed-circuit TV dinner—are credited toward the quotas.

The total of the 1960 quotas was \$7,880,000 for the entire year. But a high-ranking GOP finance expert mused this week, "Looking at it now, I'm of the opinion that it's not going to be enough."

• **Dispelling Apathy**—The apathy that's apparent in many areas of the country just now may soon disappear. That, at least, is what the state and county fund-raisers are counting on. In some states—Georgia, for instance—the state political organizations seem to have taken their cue from the slowness of the national campaign, and they are only just getting their fund-raising organizations established. In most other states, finance committeemen say it's still too early to tell whether they will, in the end, meet their goals for this campaign; they add: "In another couple of weeks, we'll know for sure."



How Electric Home Heat Finally Became a Reality

The extraordinary versatility of Nickel that today brings you electric home heat could tomorrow bring a solution to a metal problem in your own business.

Ever have a metal problem you couldn't find the answer to . . . and then discover that the solution was there all the time?

The people in the electric home heating industry needed a resistance wire that had special properties: strength and durability for long-term service—resistance to oxidation and extreme heat—good electrical resistance properties for efficient and economical operation.

They experimented—tested—then found the solution right in their own plants. For years Nickel alloy resistance wire heating elements had made dependable performance a reality in electric ranges, toasters, dishwashers, irons—had in fact introduced a new concept of quality in modern appliances.

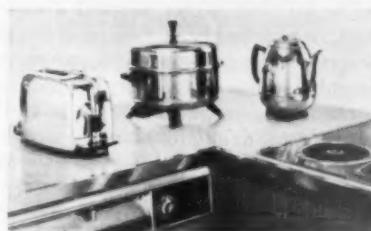
This resistance wire—made of a special alloy with a Nickel base—will

hold up under years of off-and-on heating and cooling. Will resist heat and corrosion to give the desired long service and trouble-free performance.

Now, Nickel is making electric home heat a practical reality. This winter, for example, nearly one million American homes will be heated electrically. Industry, too, is finding electric heat eminently suitable for plants, stores, office buildings—all types of commercial structures.

Your metal problem. Whether the challenge is one of stress, fatigue, corrosion or temperature extremes, Nickel and its alloys have a durability that's hard to beat. Next time you have a metal problem, think first of Nickel. And remember that Inco will be glad to supply any technical data you may need. Just ask us.

THE INTERNATIONAL NICKEL COMPANY, INC.
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Dependable appliances use Nickel. Electric ranges, dishwashers, toasters, percolators, irons . . . all rely on Nickel alloy resistance wire heating elements for long service life.

This symbol on a new home is your assurance of the ultimate in modern electric living. Look for it when you buy.

FOR MORE INFORMATION ABOUT ELECTRIC HOME HEATING—see your local Electric Power Supplier.



INCO NICKEL
NICKEL MAKES ALLOYS PERFORM BETTER LONGER

In Business

Covey of Rockets, Civil and Military, Fired Successfully From U.S. Pads

A salvo of rockets, both research and military, thundered off U.S. launching pads this week. Among them:

An **Atlas ICBM** flashed 9,000 miles down the range from Cape Canaveral to the Indian Ocean, scoring a bullseye on its target.

A **Polaris missile** was fired from 50 ft. below the surface by the Navy's second missile sub, the *Patrick Henry*.

A four-stage, 62-ft. Navy research rocket was fired from Point Arguello, Calif., to test radiation in the Van Allen belt. Films and spores in the payload were recovered after an 1,800-mile trip into space.

A four-stage **Blue Scout rocket** fired from Cape Canaveral reached an altitude of 16,600 miles. Its purpose: to find whether existing devices can detect nuclear bomb tests above the earth's atmosphere.

On the pads ready for firing by week's end were another **Atlas**, a **Titan ICBM** with a live non-nuclear warhead, and a 98-ft. **Atlas-Able** rocket-carrying satellite that will seek to put a camera in orbit around the moon.

American Radiator Agrees to Divest Its Youngstown Kitchens Div.

A major antitrust battle that had dragged on for more than four years ended this week when American Radiator & Standard Sanitary Corp. agreed to divest itself of its Youngstown Kitchens Div.

The consent decree marked a victory for the Justice Dept., which had been sniping at the deal under the antimerger law ever since 1956, when American Radiator bought **Mullins Mfg. Corp.**, which made Youngstown Kitchens.

American Standard is now pledged to make every effort to promote a sale of Youngstown, and to refrain for five years from buying an interest in any company that makes and sells plumbing fixtures and fittings and steel kitchen cabinets. The order also requires that the Youngstown division must stay in business and remain a competitive factor in its field.

Canadian Royal Commission to Scan Ad Losses to Foreign Publishers

Foreign magazines—U.S., French, and Belgian—that derive advertising revenue from Canada are the target of an investigation by a three-man royal commission announced this week by Canada's Prime Minister John Diefenbaker.

Canadian magazines have long complained of losing ad contracts to Canadian editions and Canadian sections

of foreign periodicals. In 1957, the Liberal government imposed a straight 20% tax on such revenues; the Conservatives opposed the tax and repealed it when they came to power 18 months later.

Chiefly affected is Time's Canadian edition, which contains a special section with almost entirely Canadian advertising. Reader's Digest also has two Canadian editions, one in English and one in French for Quebec subscribers, and Argosy and True carry Canadian sections. Two or three Belgian and French magazines draw a little advertising revenue from Quebec.

Diefenbaker said the appointment of the commission is part of the government's effort to safeguard Canadian interests against U.S. domination.

The commission is asked in the next few months to recommend laws to protect Canadian magazines.

Kaiser Denies Antimerger Charge

Kaiser Steel Corp. has denied Federal Trade Commission charges that it violated the antimerger provisions of the Clayton Act in 1958 when it acquired a 45% voting interest in Allison Steel Mfg. Co. of Phoenix, and later when it put two representatives on the Allison board.

Last June, FTC complained that the deal tended to create a monopoly in the structural steel fabrication business in Arizona, where Allison was the largest independent. Kaiser has asked for dismissal of the complaint—which is now before an FTC hearing examiner—arguing that its interest in Allison does not lessen competition or create a monopoly.

Building Material Dealers Indicted

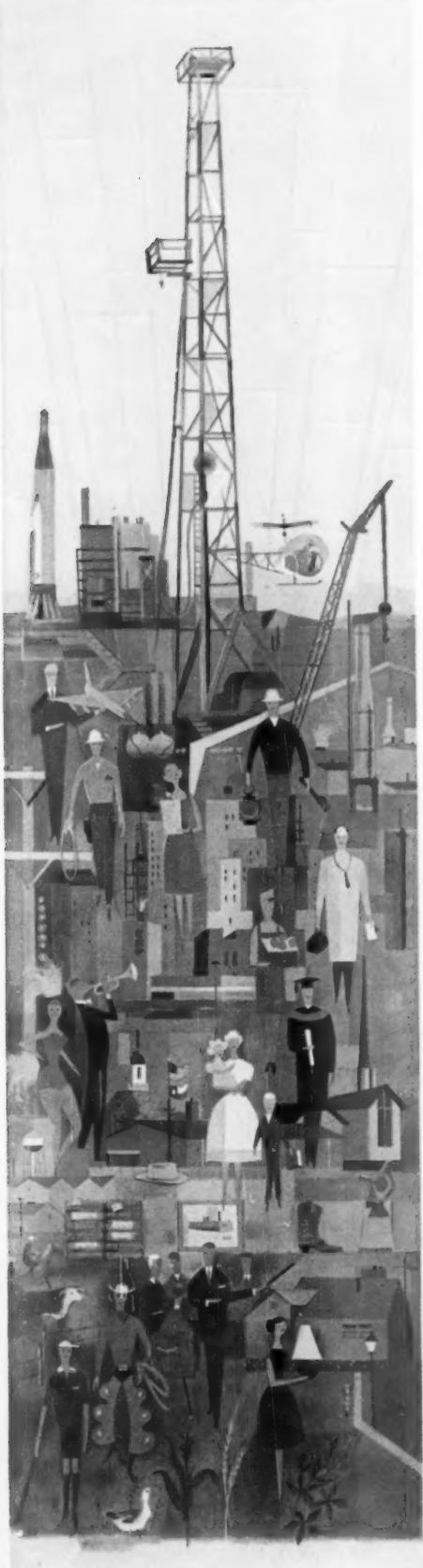
Eight building materials dealers and their trade council were indicted this week in Memphis on federal charges of fixing the prices of cement and readymixed concrete.

The Justice Dept. seeks to dissolve the Durable Building Materials Council, Inc., and to force the dealers to issue new prices based on cost and arrived at without consulting one another.

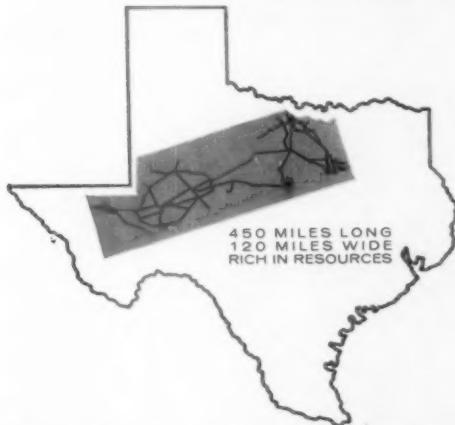
Dealers named in the cement case are: Fischer Lime & Cement Co., Fav Realty Co., Crump Lime & Cement Co., Standard Builders Supplies, John A. Denie's Sons Co., Fant & Anderson Co., and Memphis Lime & Cement. In the ready-mixed concrete case, Fischer and Denie's are named, along with V. E. Schevenell Construction Co.

Humble Oil Confirms Merger Talks

Humble Oil & Refining Co., Jersey Standard's domestic subsidiary, this week finally confirmed the rumors (BW—Sep. 3 '60, p90) it hopes to acquire Monterey Oil Co., Los Angeles crude producer. Neither Humble nor Monterey would comment on the price that Humble intends to pay—"It's under negotiation," said Monterey Pres. Howard C. Pyle—but Wall Street hears that it will be \$42 a share.



THERE ARE NEW
HORIZONS FOR INDUSTRY IN
The Opportunity Frontier
OF TEXAS



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THE OPPORTUNITY FRONTIER is an area with genial climate, good water resources, and splendid transportation. It offers an excellent pool of labor for industry's needs. Here you will find progress-minded communities with an understanding of the problems of industry.

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Our Area Development Department will gladly supply plant site information to fit your specific needs.

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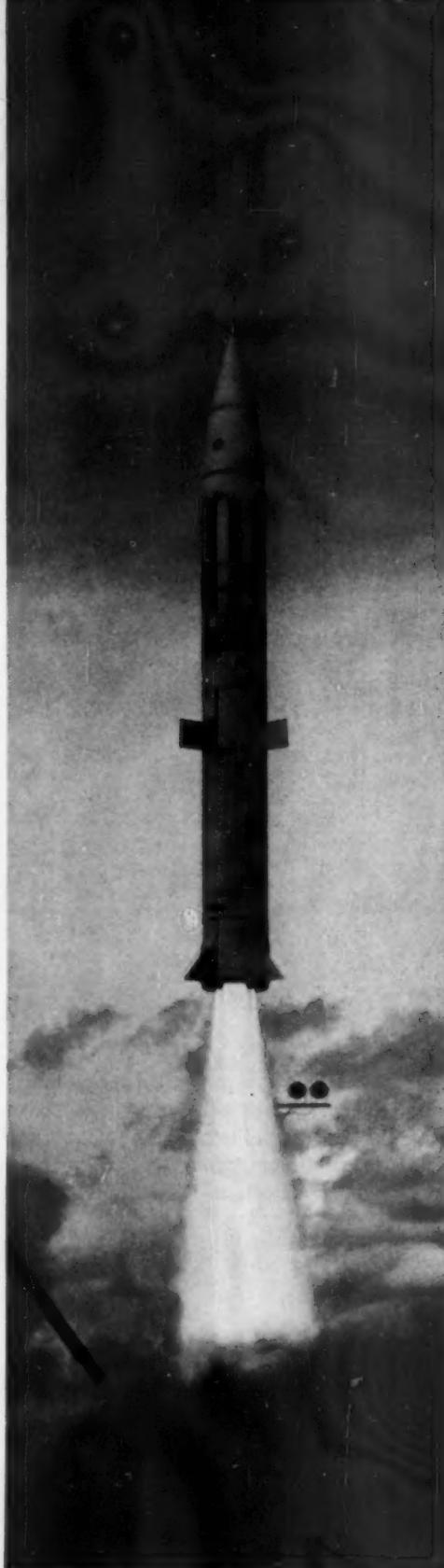
Navy & Air Force Bullpup



Air Force Mace



Army Lacrosse



Army Pershing



Air Force Titan

Five major U.S. missiles developed
and built by Martin

MARTIN

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
SEPT. 24, 1960



The Presidential campaign is in a nervous phase.

Both political camps acknowledge the result thus far has been short of electrifying. There is, in each, a vague sense of apprehension, dissatisfaction. And now, by the bad luck of timing, Vice-Pres. Richard M. Nixon and Sen. John F. Kennedy fall back out of the limelight—giving place to Pres. Eisenhower, Premier Khrushchev, and Fidel Castro at the extraordinary session of the United Nations General Assembly.

Why the outbreak of political nervousness?

Khrushchev publicly embraces Castro, and Nixon winces at the reminder—seized upon quickly by Democrats—that Russia has indeed gained a foothold in the Western Hemisphere, or as Kennedy put it in a TV speech Tuesday night “just eight minutes by jet from Florida.”

Kennedy's words about “apologizing” to Khrushchev haunt Democrats. Nixon hits it hard sometimes, softly other times. But he makes constant use of a reminder that, in the wake of the U-2 spy plane incident and the collapse of the summit conference, Kennedy remarked that an Eisenhower apology or expression of regret to the Russians might have been in order. Nixon plays on it to portray his opponent as naive, inexperienced, immature in the ways of international diplomacy.

Kennedy and Nixon each hunt for the political master stroke, some big breakout to quicken public concern and solidify the ranks of the vacillating independent voters—who seem to be having more trouble than usual in making up their minds this year.

One cause of nerves: wavering confidence in business. When the stock market tailspin (page 25) hit the front page this week, it was bad news for Nixon. From a strictly political viewpoint, the reasons for the market's behavior are less important than that it offered a spectacular reminder that business is soft and the future is debatable, even among the smartest observers who have good intentions and no partisan political axes to hone.

The Administration holds fast to economic optimism.

Pres. Eisenhower met with his top economic advisers this week—on Tuesday, after the market dip of Monday—to discuss the situation. Nixon, the man with the biggest political stake in the conversation, was out campaigning. He got a fill-in later from the participants, who included Treasury Secy. Robert B. Anderson, Chmn. William McChesney Martin of the Federal Reserve, and Dr. Raymond Saulnier, chief of Eisenhower's Council of Economic Advisers.

Here's what the White House group concluded, but did not publicly announce: Gross national product and other major statistical indicators are not likely to make any big move either way very soon. This led to the hopefully expressed conclusion that, in retrospect, July and August may be seen as the low point in this period of hesitation.

Their reasoning: August homebuilding figures improved somewhat; consumer buying intentions (page 32) are not, at least, showing signs of deterioration; there is a continuing, although small, rise in consumer incomes. All three points received heavy stress.

Here's the politics of it: Nixon will rely on the indicators for support of his line that, while things might be better, they are not really very bad. Kennedy senses recession, but he cannot prove it has begun, is about to begin, or will eventually begin. Moreover, he risks a “gloom and doom” label

WASHINGTON OUTLOOK

(Continued)

WASHINGTON
BUREAU
SEPT. 24, 1960

if he chooses to argue strongly—which he has not yet done—against the indicators that Nixon relies upon.

—•—

The Kennedy-Nixon TV debates begin on Monday night, Sept. 26, with the nominees meeting face-to-face in Chicago. This is the first in a series of four. The remainder are scheduled for Oct. 7, Oct. 13, and Oct. 21. Each will be one hour long, carried simultaneously by all the major television and radio networks.

This unprecedented series could mark a campaign turning point. The hope is that the debate will help bring out clearer definition of basic issues and how the candidates regard them. Four radio-TV newsmen have been nominated to ask questions of Nixon and Kennedy. Whether the series fails or succeeds will depend heavily upon the questions the newsmen ask.

—•—

Lines for the political argument about farm policy seem to be fairly well established.

The Kennedy line is that high federal price supports are justified, and necessary, to underwrite agricultural prosperity. He supports strict production controls to prevent accumulation of new surpluses and leans toward a compulsory program of land retirement. Each farmer would be required to retire part of his crop land, but no one could put an entire farm into the soil bank envisaged by Kennedy.

The Nixon approach holds that farm price supports should be like the minimum wage in industry—a floor rather than a ceiling. Nixon advocates a voluntary land retirement program on a far greater scale than has been attempted up to now. And Nixon would insist upon special care being taken to remove good, as well as bad or marginal, crop land from use.

Their schedules put both Nixon and Kennedy in Sioux Falls, S. D., for major farm speeches late in this week. Insofar as specifics go, not much more is expected from either during the remainder of the campaign.

Eisenhower gives Nixon a political boon in the dairy country. Admittedly against his own principle, Eisenhower signed the Democratic bill to raise price supports until next April on dried milk, butterfat, and cheese. It was a victory for Nixon, who wanted the bill signed, and a defeat for Agriculture Secy. Ezra T. Benson, who counseled Eisenhower to veto it. In a message explaining why he signed, the President said a veto "would only serve to engender intensely partisan political charges and counter-charges in the dairy regions."

—•—

The idea of a shorter work week draws no major political support in 1960. Steelworkers Pres. David J. McDonald, a firm political ally of Kennedy, is mainly responsible for revival of talk about shortening the work week to counter automation and spread job opportunities. McDonald is advocating a 32-hour week.

Both Kennedy and Nixon reject the notion. Kennedy restated his opposition this week before the Steelworkers convention. In the campaign four years ago, Nixon raised the possibility of a shorter week in one speech but quickly dropped that line when it drew severe GOP criticism. This week, Nixon said he favors keeping the 40-hour week.

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better way
to lay away savings

Closets prefabricated from Westvaco paint-panels cost less than closets built from blueprints.

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Made from virgin aspen flakes, Westvaco panels are uniform, smooth, and so solid and tightly edged that no banding or sealing is needed.

These superior panels are another example of how West Virginia serves its customers.

Through expenditures of more than \$3,000,000 for research annually, West Virginia produces outstanding quality with unusual efficiency.

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Fiber glass boats that are strong and can't rot . . . kiddie-proof furniture . . . weather-resistant, translucent building panels. There's no end to the wonderful, lightweight plastic products that serve you better and last longer because they are reinforced with Johns-Manville fiber glass. It makes possible many new and useful products . . . pleasing in design . . . easy to maintain.



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The tough glass fibers produced by Johns-Manville are stronger than steel by weight . . . lend strength and exceptional durability when combined with plastics.

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YOUNGSTOWN STEEL bar is the axle shaft on your car. A nut. A bolt. A staple. It is a polished hydraulic lifting arm, a pin in a tractor tread. It is a mat of reinforcing bars. A length of wire rope. From mine to open hearth to bar mill cut lengths and coils, Youngstown steel bar is tested, retested and delivered to you on time. You can get it from your steel warehouse or through 28 Youngstown Offices. Whatever your needs for quality bar, rod and wire, depend on Youngstown, a growing force in steel.



Youngstown - growing force in steel



THE YOUNGSTOWN SHEET AND TUBE COMPANY, YOUNGSTOWN, OHIO ATLANTA BOSTON BUFFALO CHICAGO CINCINNATI CLEVELAND COLUMBUS DALLAS DENVER DES MOINES DETROIT GRAND RAPIDS HOUSTON INDIANAPOLIS KANSAS CITY LOS ANGELES MILWAUKEE MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PITTSBURGH ST. LOUIS SAN FRANCISCO SEATTLE TULSA WASHINGTON

In Labor

Pennsy Strikers and Idled Workers To Receive Unemployment Benefits

Some 20,000 strikers and 52,000 other workers laid off as a result of the Pennsylvania RR strike will receive unemployment insurance benefits. Payment was ordered last week by the Railroad Retirement Board, which ruled that the 11-day strike was legal. Maximum benefits will be \$10.20 a day, payable for seven days of the walkout.

Railway unemployment insurance benefits are paid from a fund financed by the railroads, which put in an amount equal to 3½% of the first \$400 of each employee's earnings. The fund is administered by the Railroad Retirement Board. Under the Railway Labor Act, both strikers and others idled by a "legal" strike are considered unemployed and eligible for benefits.

The Pennsy strike involved members of the Transport Workers Union and System Federation No. 152, both AFL-CIO affiliates (BW—Sep. 17 '60, p. 144).

NLRB Rules UAW Local Framed Fight To Oust Worker Organizing Skilled Group

The National Labor Relations Board has upheld a Chrysler Corp. worker's claim that officials of a United Auto Workers local "framed" a fight for which the employee was fired two years ago. Rholo Taylor, the employee, charged that union officials provoked a fight to stop his organizing attempts for the independent Society of Skilled Trades.

UAW Local 212 was ordered to pay any wages Taylor might have lost since he was fired for fighting with a union steward in a Detroit Chrysler plant in March, 1958.

NLRB also ordered the local not to interfere with workers attempting to organize outside the UAW. Taylor was a UAW member at the time of the fight.

A union attorney denied that local officials had provoked the fight but said the UAW would not appeal the NLRB's ruling.

Arthur Kimball, Lawyer, Named To Labor Board on Recess Basis

Arthur A. Kimball, 52, a government career employee with 32 years' service, has succeeded Stephen S. Bean as a member of the National Labor Relations Board, by recess appointment. Bean did not seek reappointment; he would have reached a mandatory retirement age of 70 during a new five-year term.

Kimball was nominated by Pres. Eisenhower last April. The Senate adjourned without acting on his appointment.

The new board member, who is subject to Senate

MORE NEWS ABOUT LABOR ON:

- P. 50—AFL-CIO organizers go after farm labor.

confirmation next January, is a lawyer. He began government service in the Census Bureau. He served most recently, for seven years, as staff director of the President's Advisory Committee on Government Organization.

• • •

Ironworkers Yield Weekend Premium Pay To Help Employer Meet Competition

Members of Seattle Ironworkers Local 506 have agreed to give up premium pay for Saturdays and Sundays to keep their employer competitive in the manufacture of aluminum building materials. The agreement was designed to prevent an estimated quarter of a million dollars worth of work from leaving the area.

Under the new arrangement with Fenton Industries, Inc., employees will work a 40-hour week on a revolving basis, receiving standard pay even when their shift includes weekend work. They will continue to receive overtime pay for any work over 40 hours.

The agreement extends through this Dec. 23.

• • •

Brotherhoods of Trainmen, Conductors Ready to Discuss Amalgamation

Two of the major "Big Four" railroad brotherhoods—the Brotherhood of Railroad Trainmen and the Order of Railway Conductors & Brakemen—have agreed to discuss amalgamation. Committees already named hope to have an agreement ready for the unions' 230,000 members by the end of the year.

Presidents of the two brotherhoods told members in a joint letter that "closer alignment of the train service organizations has been under consideration because of the present carrier attack and the loss of job opportunities."

• • •

UAW Ends Strike Against J. I. Case, Fails to Win Demand for Union Shop

Members of the United Auto Workers in Racine, Wis., this week voted (816 to 360) to end a six-month strike against the J. I. Case Co. under "satisfactory" terms of a new two-year contract.

The union failed to win demands for a union shop and dues checkoff, both firmly opposed by Case. It claims "significant gains" in seniority, insurance, and other noneconomic areas, and received wage increases of 4¢ to 17¢ an hour, or an average of about 12¢, over the period of the agreement. Pay was never a major issue.

Case continued limited production during the walkout.



UNION PICKETS beside a tomato field at Tracy, Calif., stress wages as an issue; Mexican braceros are continuing to work.

AFL-CIO Organizers Go After

California's green fields and orchards of ripening fruit aren't peaceful this year. There's labor unrest, and 68 farms have been struck in a spreading AFL-CIO drive to unionize the state's half-million agricultural workers.

Last week, troubles erupted in the tomato fields. Workers employed by the Cochran Co., of Tracy, Calif., went into the company's 100 acres of tomatoes, grown for canneries. They worked for an hour and then demanded more money. Cochran refused it. The workers quit the fields. Picketing began.

California growers dug in for a union fight in a new area. In other states, farmers watched anxiously. They know that if labor wins in the California farm-lands, it will tackle farm organizing in every state.

- **Earlier Failure**—Labor has tried to organize farm workers before—without success. The National Agricultural Workers Union, headed by H. L. Mitchell, last reported only 4,500 members in 139 locals across the country. A few farm workers also are scattered in locals in the United Packinghouse Workers and the Amalgamated Meat Cutters & Butcher Workers.

California growers would like to feel

that the current drive will fail as those in the past did. They aren't so confident now as they were before. There is little doubt that AFL-CIO means business this time; the organizing isn't a half-hearted effort by a single union but a full-scale campaign. The federation recently added another \$100,000 to its farm organizing war chest to bring its investment in the drive to \$300,000.

AFL-CIO spokesmen say the organization with its more than 13-million unionized workers is in the farm fight "to a victory."

- **Trouble Ahead**—Many growers feel that 1960's labor fight has been only a scrimmage compared with what will happen in 1961. Agricultural experts safely on the sidelines in California are inclined to agree. Some say that the growers' confidence of ultimate victory is based more on wishful thinking than on realities. They see a difference in the farm organizing now that could lead to a large-scale unionization of farms.

What is the difference between the spirit of labor's organizing before and in 1960? Labor today is uncomfortably aware that unless it organizes masses of workers in new areas, such as California

farms, it faces a period of fading numerical strength and national power and prestige.

The number of blue-collar or factory workers in the labor force is declining. Unions are hard pressed, now, to recruit enough industrial workers to keep membership on a plateau. Many unions are slipping backward.

New organizing fields are being explored—white-collar, service, and technical workers, increasing steadily, and the vast, hardly tapped numbers of agricultural workers, particularly those on large, so-called "factory farms" that employ field hands and sorting, packing, and other workers by hundreds.

- **Early this year**, AFL-CIO decided to set up an Agricultural Workers Organizing Committee as an arm of the federation, with Norman Smith as its head. It pledged "substantial" funds and manpower to support it. The committee selected California for its first campaign, explaining that "it's the most prosperous farm state."

- **Vulnerability**—There are other obvious reasons. California crops—and farmers—are extremely vulnerable. There are 250 crops, and only a few are long-maturing crops or crops that can be



MEXICAN LABORERS, mobilized in Monterrey for farm jobs, are more an issue; U.S. workers see them as a threat to job security.

Farm Labor

harvested mechanically now. The big cash crops have to be hand-picked by thousands of temporary workers over a short period—as little as ten days.

On Aug. 1, California reported 471,500 farm workers—151,800 of them were farmers and members of their families; 120,800 were regularly employed (year-round) hands; 153,200 were temporarily employed domestic field workers; and 45,700 were foreign contract-workers, almost all Mexicans. The migrants—the temporarily employed domestic and foreign workers—are vital if crops are to be harvested.

• **Security Bait**—The AFL-CIO organizing is concentrated among the U.S. nationals. The AWOC says they must be organized to make their jobs more secure and profitable—to eliminate, according to one organizer, “this trafficking in migrant labor.” He referred to the use of Mexican migrants—or braceros—brought in for a season’s farm work.

Last week, the AWOC claimed the elimination of two-thirds of the braceros normally brought in on a contract basis, assuring more jobs for U.S. nationals. The number working crops like pears and peaches (tree crops) may have been



IN THE FIELDS, Mexican braceros are needed by growers for the “stoop labor” jobs U.S. workers don’t want, regardless of pay—80¢ an hour up to \$1.75 for average workers.



Every day, Dodge scouts the new construction field. 1087 Dodge Construction Intelligence Agents regularly interrogate over 165,000 authoritative sources—owners, architects, builders, contractors. To find out for Dodge subscribers who's planning to build what, where, for how much. Who's figuring the job. Who gets which contract. This accurate advance intelligence is mailed daily—to businessmen anxious to locate live prospects. Interested in increasing your sales effectiveness? See the ad opposite—and follow through.



DODGE
reports

119 W. 40th St., New York 18, N.Y.

cut, growers agree, but not the number harvesting "stoop crops," shunned ordinarily by domestic labor. The percentage of braceros picking tomatoes and other field crops is still the usual 65% or more, the growers contend.

Many growers say they'd be glad to halt the import of braceros—if there were assurances of enough domestic labor to pick the crops. They complain there hasn't been enough of it in the last hundred years, and say no union has ever offered to help farmers obtain the domestic labor they need.

• **Braceros**—A farmer who specializes in field crops, Gene Berger, of Tracy, said last week that he had 2,100 workers picking cantaloupes. He would like to hire domestic workers, but he can't get enough of them. Of the 2,100, only 60 were domestic laborers. He said money wasn't involved. At least 1,000 braceros, the best and fastest in this field, were averaging \$1.50 to \$1.75 an hour on a piece-work basis. Thirty miles away, domestic workers just as strong and fast were making \$1.10 an hour picking peaches—work more to their liking.

The AWOC strategy this year has been to conduct organizing drives at farm operations as crops mature—threatening farmers with the loss of crops that represent a year's sweat and capital.

Few farmers have given ground, however. Most say they have no quarrel with the right of workers to organize, but that they are not willing to deal with a "third party" or union that doesn't really represent workers. The AWOC claims to have signed up "thousands" of workers; growers estimate that it doesn't have more than 400 dues-payers on its rolls after passing out thousands of membership cards.

• **Most Crops In**—Although there have been 68 strikes this year, with picketing, farmers got most of their crops harvested. Other farmers rallied behind those who were struck and scoured the state for workers willing to cross AWOC picket lines.

At first, the Farm Labor Service of the California Dept. of Labor refused to refer hands to a picketed farm. Growers protested, and on June 6 the agency agreed to investigate picketing cases to find out whether a "legitimate" labor dispute existed that should bar the referral of farm workers needed.

In 55 cases since then, the agency decided the picketing was legal; it barred referrals, even though growers contended they had no dispute with "regularly employed workers." State courts ruled against the Farm Labor Service in two suits brought against it, ordered referrals resumed.

Growers say that legal fights to upset referral rulings are no solution. While a farmer is waiting for a decision, he



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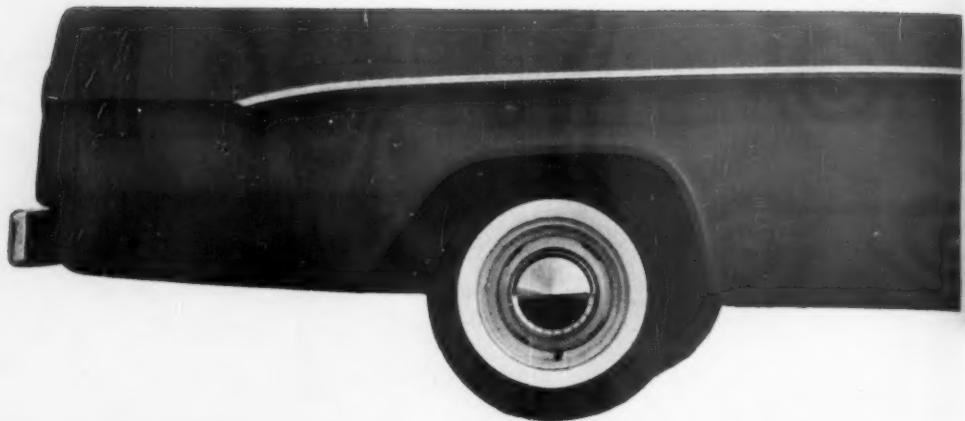
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FROM DODGE FOR 1961
A TOTALLY NEW KIND OF TRUCK
THE DART PICKUP
THE FIRST AND ONLY TRUCK WITH
COMPACT-ECONOMY



WHAT DO WE MEAN, THE ONLY TRUCK WITH COMPACT-ECONOMY?

We mean that the new Dart Pickup is compact in everything but work capacity. It has a compact diet. It handles like a compact. The upkeep costs are compact. But in the work department this baby is a full half-ton hauler. It'll do a sleeves-up job of work every day, day in and year out. That, mister, is what we mean by *compact-economy*. A truck that is economy-minded, a tough devil of a truck, all truck, all work, all the way.

WILL OUR ENGINE, THE NEW SLANT-6, ACTUALLY DELIVER MORE MILES A GALLON THAN COMPETITION?

There's only one way to answer that kind of question, and that's to test the new Dart Pickup against its biggest competition, Ford and Chevrolet. That's just what we did. Result? Time after time the new Slant-6, overhead valve, 225-cubic-inch engine came

out ahead on actual miles-per-gallon.

As for the engine itself, it is slanted 30 degrees from the vertical. This makes possible highly efficient manifolding, both intake and exhaust. Also gives you plenty of underhood work room which, by the way, you'll seldom need. This new engine of ours is a mighty tough customer.

Mounted on the engine, as standard equipment, is an alternating current generator. It will charge the battery even at idle. Because the battery is more fully charged, more of the time, it will last longer. Small thing? Maybe. But it saves you money.



You'll be interested to know that many of the engine parts are aluminum. Things like the water and oil pump housing, the distributor case. Extensive use of aluminum means less dead weight. More payload. More *compact-economy*!

IS IT TRUE THAT THIS TRUCK IS NEW DOWN TO THE WHEEL STUDS?

Take a look at the picture above. It's unretouched, by the way. See anything familiar? You bet you don't. This one is all-out new. Not new, mind you, for the sake of newness, but functionally new. New cab, new body. New, easier clutching, and shifting, and handling. As a matter of fact this Dart Pickup of ours even has a new soft sound. Wait'll you've had one on the job. You'll agree it's a great new way to work.

WHAT'S THIS I HEAR ABOUT A NEW THING CALLED "SEDAN RIDE"?

You know how a truck ride used to be. Not very pleasant. Well, this year Dodge has done something about it, with a virtually service-free suspension system that takes the "truck" right out of truck ride. A side benefit of this new sus-

pension is that front tires don't pay the penalty for your pleasant ride. You get every mile of rubber you paid for.

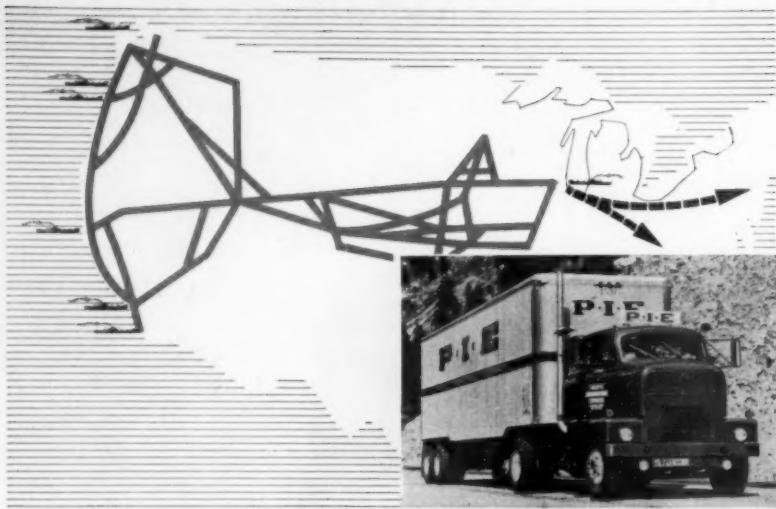
ANYTHING I OUGHT TO KNOW ABOUT THE REST OF THE '61 DODGE LINE?

Sure! You ought to know about the 1961 Dodge conventional and cab forward models, the four-wheel drive series, door-to-door jobs, the school bus chassis. There's Six and V8 gasoline power. There's Cummins diesel power. There's a weight spread of 4250 lbs. GVW to 76,800 lbs. GCW.

OK, NOW HOW DO THE PRICES STACK UP?

The new Dart Pickup and the 1961 Dodge line of trucks are priced to compete with every truck coming or going. And a Dodge truck will skin the pants off any truck for muscle, hustle and money-saving ways. You can depend on it!

SEE THE DART PICKUP



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may lose his crops. Sometimes as little as 12 hours can make the difference between a money crop and losses.

• **Effect of Pickets**—Mexican braceros can't be put to work where it appears they might be "in jeopardy" because of a labor dispute. If there are pickets at a farm, the braceros won't be sent there. If they're already at work, they are likely to be pulled out—ripe crop to be harvested or none. This happened a number of times this past summer. When it didn't, there were rumblings of trouble—or actual disturbances. Domestic workers stormed back, angry, rallying with a cry, "Are we going to let them take our jobs?"

Denied workers, a farmer's losses may run high. Fred Podesta of Linden, who has one of the biggest cherry orchards in the world, lost an estimated \$55,000 to \$100,000. With the stakes high, some growers have been talking about strike insurance, similar to that in Hawaii—a plan under which a struck plantation's long-term losses may be made up in part by those not struck.

• **Amorphous Mass**—The AWOC's principal trouble is expected to come from the structure of the migratory work force. It is casual labor, and it changes from season to season. The organizing must go on constantly, among different workers. The AWOC would like to get around this with contracts providing that farmers will recognize and bargain with the union, season to season, year to year, regardless of who might be covered. The agricultural industry isn't under the Taft-Hartley Act, so contract rules that apply to plants do not curb practices on farms.

One of the union's announced aims is to establish a minimum wage scale for farm workers who do not have the protection of the federal \$1-an-hour wage floor. Growers say they can't go along with a contract minimum because they have to hire so many temporary workers from among those unemployed elsewhere; the general policy is to pay according to productivity, by piece rates adjusted to equalize wages between orchards fat with fruit and those with a skimpy crop.

The rate for a prime pick of tomatoes is 11¢ or 12¢ a box. But the scale on lean yields may go as high as 17¢ or 18¢—and some growers have paid as much as 20¢ a box to salvage something from their crops. The union wants a minimum of 17¢ a box for tomatoes. The California Tomato Growers Assn. says this would bankrupt the growers; last year only half of them broke even or made a profit. Union organizers contend that many pickers average less than \$1 an hour for over-long work days.

• **Housing Issue**—The AWOC and parent AFL-CIO also are demanding better working conditions and housing for



"Why doesn't Daddy turn it down?"

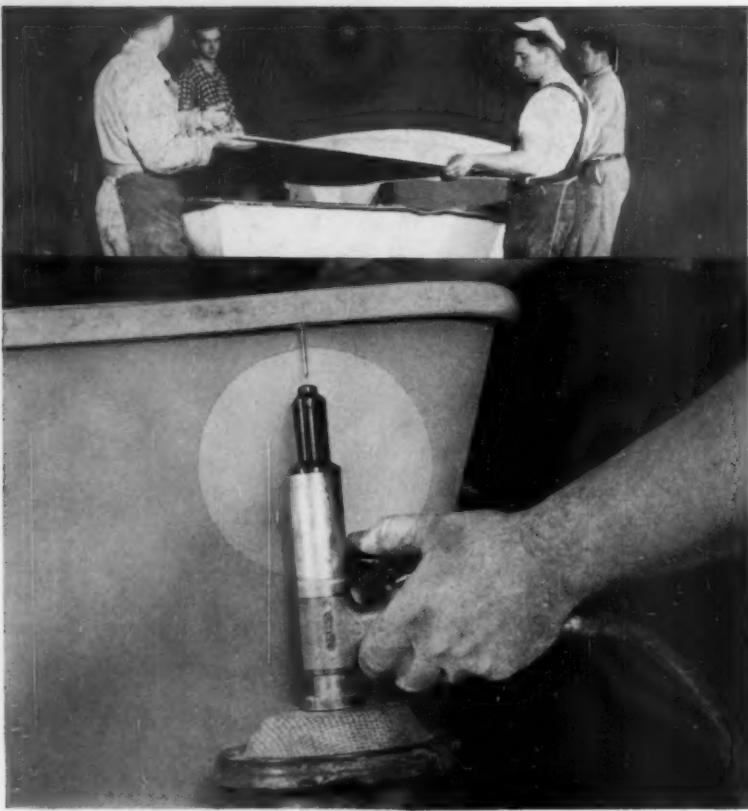
Because well-meaning friends and relatives are tactful, the person with impaired hearing is often the last to recognize his loss. If you must turn the volume way up to hear clearly, you may be one of the 9,000,000 Americans who suffer needlessly from defective hearing. First, see a doctor. Then, if a correctable loss is discovered, a hearing aid specialist can give expert counsel on the instrument that will help you most.

People all about you are learning that defective hearing is easily corrected. They're wearing efficient hearing aids . . . so inconspicuous you'd never know

they had a hearing problem. Most of these tiny instruments are powered by Mallory Mercury Batteries . . . the amazingly powerful, pill-size energy capsules pioneered by Mallory that have helped make possible a whole new array of miniaturized marvels of electronics.



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There's no end to the cost and labor savings "POP" Rivets are providing on all kinds of materials in appliances, air-conditioning equipment, furniture, truck and trailer bodies, pre-fab buildings and hundreds of other products.

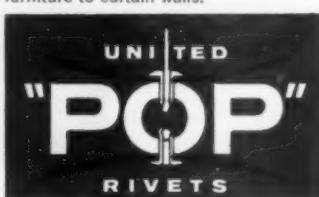
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migrant workers. For the most part, these are subject already to federal and state regulations. Their injection of this issue seems to be more for propaganda than for real bargaining.

The most important issue—even more so than pay—seems to be job security.

Some migrants are nomadic by choice; they enjoy "following the sun" from harvest to harvest. But a substantial majority aren't migrants by choice. They would like to settle down, and many do every year.

There appears to be a growing feeling, in part fostered by labor, that job security—a chance to work fields in one place, setting down roots—would be nearer at hand if the braceros weren't around, if the whole idea of using migrant labor could be dropped. That is, jobs should be regularized.

Resentment has been growing against the braceros in many places. Growers say it really isn't warranted, that during the year braceros put in only about 5% of the total hours worked on the large farms—and are desperately needed then.

• **Strict Regulation**—The Mexican nationals or braceros became a formal part of California's temporary, migratory farm help in 1951. Public Law 78 passed in that year permitted Mexicans to come in to fill agricultural jobs that couldn't be filled otherwise.

The recruitment is under tight rules, and is under employment contracts that require a minimum pay, specify the work to be done, and require standards of food and housing, guarantees negotiated between the U.S. and Mexican governments.

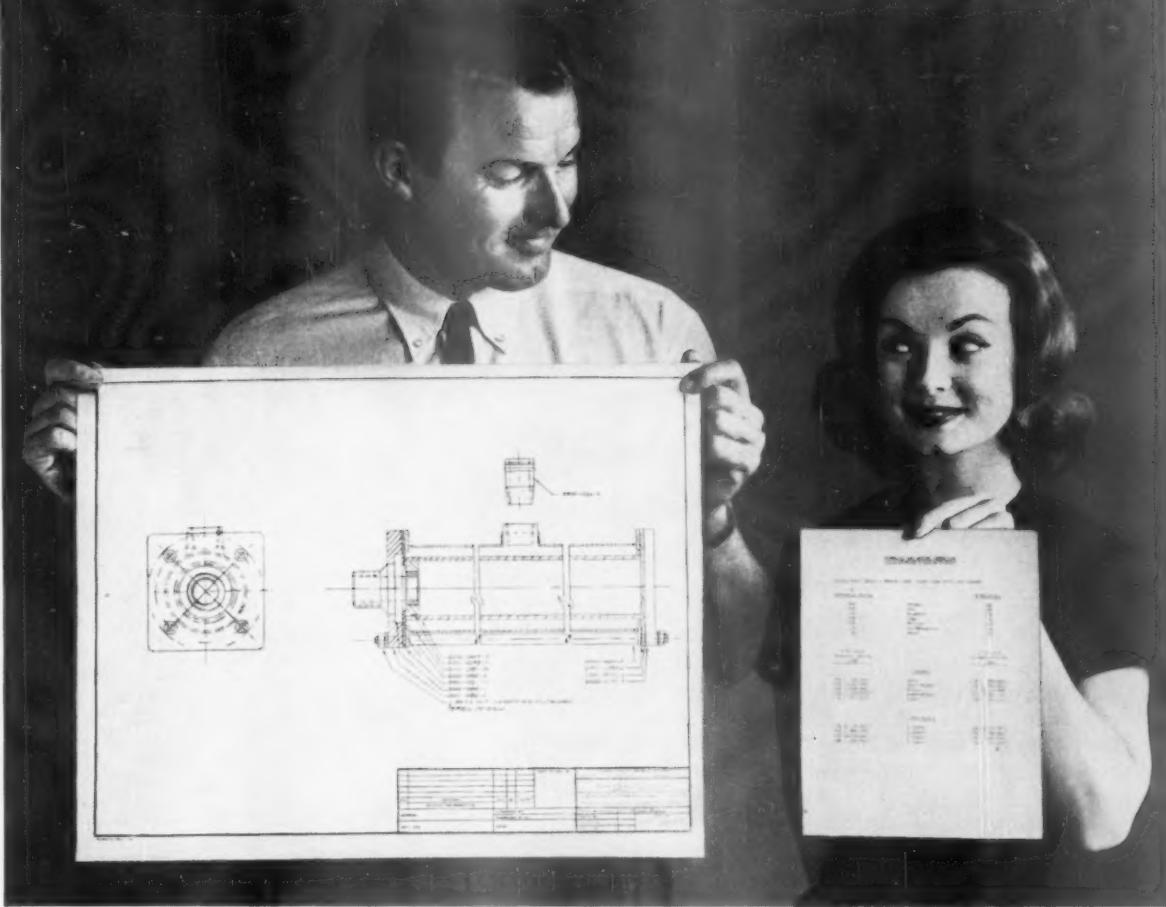
Hiring the braceros is nothing like the surreptitious employment of "wetbacks," or Mexican nationals in the country illegally to fill farm jobs. A farmer who finds out that he can't hire enough domestic workers to get a crop harvested must estimate how many Mexican laborers he will need and ask the U.S. Labor Dept. to approve the use of that number.

The number of braceros employed in California has ranged from a low of 26,000 in a harvest season to a high of 102,000. August, 1958, the number was 60,700; in the same month this year it was 45,700.

• **Mechanization**—The labor troubles in the state this year and the possibility that the bracero program may be scuttled, through politics or union pressures, have made growers increasingly interested in mechanization. Cotton and sugar beet crops already are highly mechanized. Tomato growers feel their ultimate salvation lies in automated harvesting.

However, mechanization of tomato harvesting is still five years or more away, and automatic crop handling in most other industries is considered much further off than that. **END**

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In Marketing

United Fruit Co. Acquires Liana, Inc., In First Diversification Move

The United Fruit Co., big banana grower and marketer, has diversified further with the acquisition of Liana, Inc. Liana, a pioneer in the freeze-dry processing of foods, currently concentrates on packaging freeze-dehydrated shrimp. But United notes that the freeze-dry process can be applied to a variety of seafoods, sauces, fruits, and vegetables.

FCC Reduces Amount of Time TV Nets Can Command From Local Stations

A 4-3 decision by the Federal Communications Commission cutting down the amount of time a TV network can command from a local station will benefit film syndicators and may cut into network revenues. However, the decision does uphold the principle of "option time" as "reasonably necessary" to successful operation of a network.

The commission reduced the amount of time a network can usurp in each of four time segments of a broadcast from three hours to two and one-half hours. This opens up an extra half-hour for local programming in prime evening time, mornings, afternoons, and after 11 p.m.

The commission emphasized that it was not determining whether option time itself is a violation of antitrust laws. The Justice Dept. had commented that the practice seems to violate the Sherman Act. But at this point the antitrusters have disclosed no plans to move against the networks.

CBS and NBC had argued that loss of a half hour in prime evening time would cost them each \$9.3-million a year, but this assumed that stations would use all the local time now made available to them. Commissioners dissenting from the majority opinion claimed that even if all option time were ruled out, local stations would still want enough network programs to assure profitable network operation.

Retailers Optimistic About 1960 Sales, Hopes Highest in West, Survey Shows

As part of its first Census of Retail Distribution, Audits & Surveys Co., Inc., queried retailers on their sales expectations for 1960. Retailers as a whole were moderately optimistic. Forty-four percent saw 1960 coming out ahead of 1959, while an equal number expected the two years to show about equal results.

Only 12% predicted 1960 would be a poorer sales year than 1959.

MORE NEWS ABOUT MARKETING ON:

- P. 65—How to sell 1961 Fords: Give every car owner in Flora, Ill., a week's try at them.

Confidence ran highest among the apparel and automotive groups, lowest among food stores, restaurants, and drinking establishments. Retail outlets were most optimistic in the West, least optimistic in the Northeast.

St. Regis Paper's Selling Tactics

Shake Up School Stationery Industry

St. Regis Paper Co. recently got into the consumer market with the acquisition of the Nifty Mfg. Co., an Alabama producer of school stationery supplies—and its marketing practices are beginning to shake up that once staid industry.

Hitherto, school stationery has been made and sold as a staple item by a profusion of small regional companies. It has been sold on the basis of price, without advertising or promotion.

St. Regis has introduced a national brand, Nifty, and has established national distribution for it. In the first three weeks of September, it will spend some \$500,000 in a spot TV campaign that will go out over 175 stations in 140 markets. To keep in step with the shift to supermarkets as outlets for school stationery, St. Regis has designed related item display stands. And it has introduced premium promotions to the field by including coupons with each pack of paper.

The company aims for repeat stationery sales by offering low-price binders. Drawing an analogy to the low-profit sale of razors by blade manufacturers, St. Regis says, "The binder is our razor." In designing these binders, St. Regis had to do a lot of new research on the school market. One discovery: left-handedness is on the upswing in the current crop of school kids. Southpaws now run 12% of the total, should hit 20% in a few years. St. Regis designed its binders to be used ambidextrously.

Point-of-Purchase Keyboard Activates Automatic Accounting, Control System

Uni-Tote, automated retail accounting and control system, was unveiled this week by Universal Controls, New York, whose American Totalisator Co. developed the unit.

The sales girl activates the point-of-purchase keyboard unit, which is connected by wires to the central control unit. This records all sales, prints a complete sales journal, checks charge sales, produces a punched card that acts as key to automatic billing and inventory control.

Uni-Tote's ancestor was a recorder invented by Edward Rogal in 1926 (BW-Mar.22'47,p68). Rogal now serves as consultant to American Totalisator. Plans are to rent Uni-Tote to stores; equipment will be available by the middle or end of 1961.

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LISSEN TO TWO MILLION DOLLARS WORTH OF SILENCE

Noise conditioning is second only to air conditioning on the list of today's most wanted improvements. The two, however, are sometimes mutually exclusive. The same equipment that soothes the body can offend the ear. ■ One major source of trouble is the heart of most air conditioning—the refrigeration compressor. To take noise out you must build quality in. So Worthington went to work. ■ Its engineers specified some of the closest tolerances ever used for industrial equipment. This resulted in a compressor which was amazingly vibration-free. Two million dollars later Worthington had the "V line" compressor you see at the left. So quietly does it run that only a sound laboratory can accurately measure its whisper-soft operation. ■ Silence reflects quality. The compressor is rugged enough to operate at 130 degrees below zero. Yet its silence adds efficiency, luxury and dignity to your environment. A fair exchange for \$2,000,000? We think so. ■ Worthington Corporation, Harrison, N. J.





Republic Mach 2 F-105 Thunderchief Fighter-Bomber, built for Tactical Air Command, USAF.

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A New Ford in Every Garage

James O. Wright, a vice-president of Ford Motor Co. and general manager of its Ford Div., says that of every five people who visit a Ford dealer's showroom at new-model introduction time at least one will buy a new car. So he's interested in anything that will get hordes of people into Ford showrooms next weekend when the 1961 Fords are on display. To get them there, says Wright, "you first have to get their attention."

The pictures on these pages show preparations for perhaps one of the most elaborate and off-beat methods ever tried to call the public's attention to a new product. On Sept. 24, the owner of every car in Flora, Ill., will get a 1961 white Falcon, Ford, or Thunderbird to drive for one week. Each truck in Flora will be replaced by a 1961 blue Ford truck (BW—May 14'60,p36).

• **Test City**—Next week, Flora, a city of approximately 6,000 people and 1,600 vehicles, situated on the main line of the Baltimore & Ohio RR and on U.S. Highway 50 but still isolated in the center of Illinois, will be the first city in the nation to have 1961 vehicles in everyday use, and the first city ever to have 100% multiple car ownership; every car-owning family will have at least two cars to use.

And for the first part of that week, Ford will be host in Flora to the several hundred representatives of newspapers, magazines, radio, and TV who so far this season have seen "press pre-



MAIN STREET of Flora, Ill., a city that counts 6,000 and 1,600 vehicles, is uncrowded on average day (above). But this week, the number of vehicles will double and policeman Pat Burns may have to untangle a few traffic jams. The reason: There's a whole field of 1961 Fords (below) waiting to be test driven for a week by Flora car owners.





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it
QUICKLY



**BASSICK
CASTERS**



PRESS ROOM on Main Street is set up for newsmen who will report on Flora's reaction to new Fords. T. J. Tierney (standing), Ford publicity man, originated the promotion.



COMPUTER has been installed to process replies to questionnaires given Flora drivers. Tierney discusses project with Mark Parsons, also of Ford. At right is Flora's Mayor Bryden.

views" of 1961 cars at such places as a Wisconsin summer resort, the Americana Hotel at Bal Harbour, Fla., and the hotels and clubs of Detroit. At Flora, the news people will live in railroad cars, eat in a glorified tent, and drink in the basement of the Elks Hall. They will have free rein to ask the temporary owners of 1961 Fords what's wrong with them.

- **Multiple Risks**—Wright is gambling about a quarter of a million dollars that the answers, and the other pub-

licity about Ford from Flora, will shoot the curious into Ford dealerships at a better pace than ever before. He is taking a nice risk, too. Things do go wrong with automobiles, and those in Flora will be the first assembled. Normally any flaw in the early run can be caught before too many customers have been inconvenienced. At Flora, any start-up flaw is going to be immediately apparent to more than a thousand drivers and nearly half as many reporters. Even if no bugs show up,



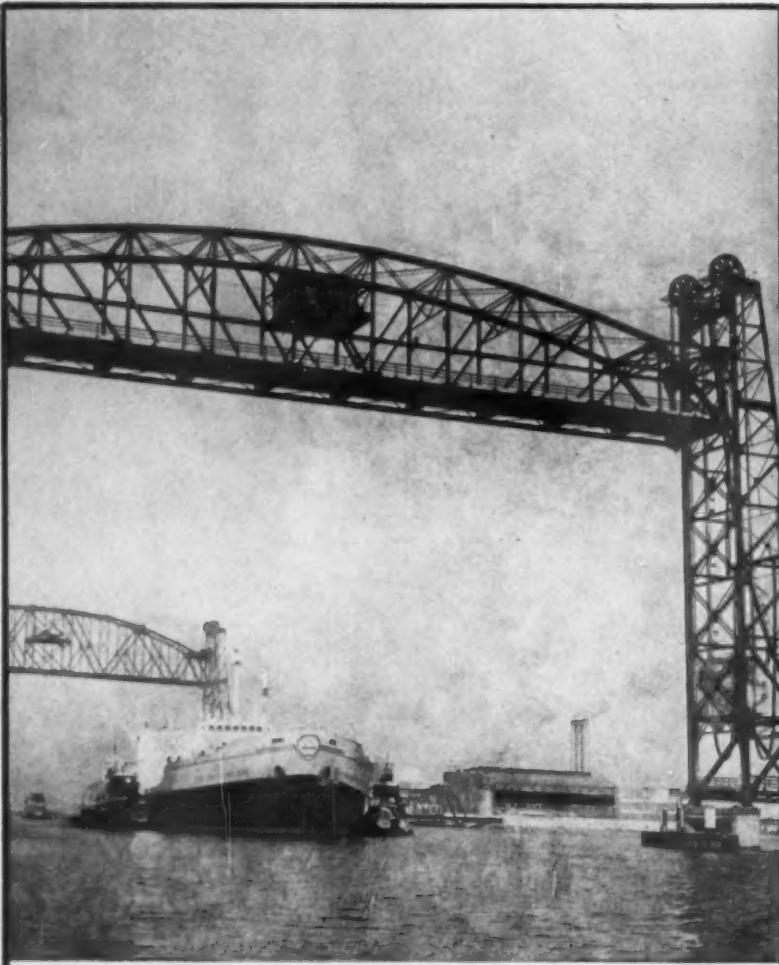
“Polaris – from out of the deep to target. Perfect.”

20 July 1960: Message from Comdr. J. P. Osborne to President Eisenhower on successful undersea firing of two ballistic missiles from the submarine U.S.S. George Washington on target more than 1200 miles away.

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Clarence H. Osthagen
Vice President & Executive Director

**Tidewater Virginia
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maybe some citizens won't take to the idea of being guinea pigs for Ford and will start the prairie version of a "Ford Go Home" campaign.

Wright thought of those risks when the idea of a press preview in Flora first was presented to him, but they were subordinated by another thought. "I wondered," he says, "whether it would be viewed favorably by the press." If it isn't, it's not for the lack of trying by Wright's public relations people and by the townsfolk of Flora.

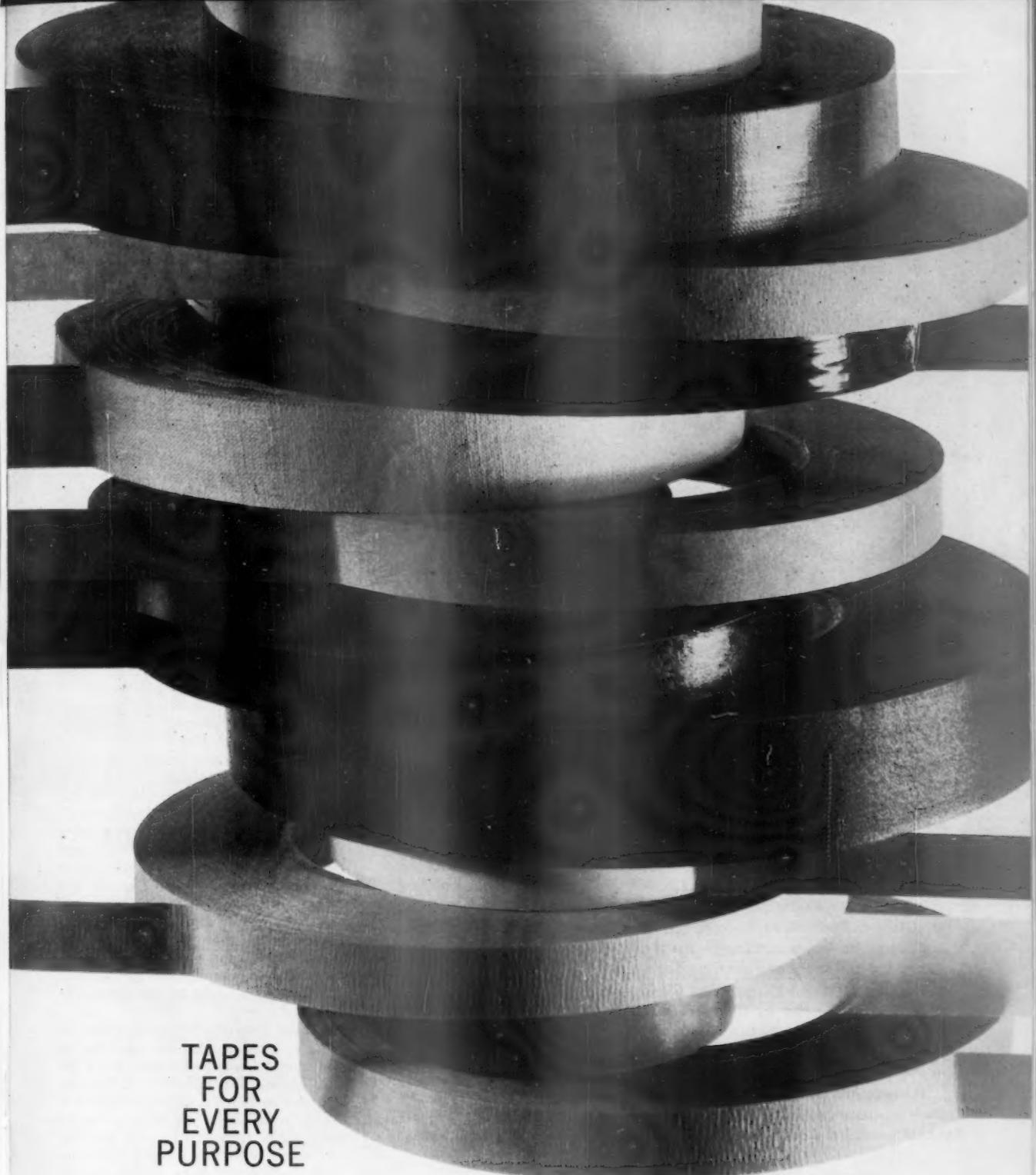
Preparations have been going on for five months, some as unlikely as the conversion of a railroad baggage car into a shower car (at a cost of \$9,000), which will be dismantled when the Ford show is over, and the lengthening of the runway at the Flora airport to accommodate a DC-3. But, nothing is as unlikely as holding a national auto press preview in Flora, Ill. To get maximum publicity exposure for its 1961 line, Ford Div. has gone to Flora because, in a sense, the little city is like that place in the old vaudeville gag: "You can't get there from here."

I. Finding Flora

The Ford people think there are a lot of genuine reasons for being in Flora. Late last winter, the Ford Div. public relations staff saw four principal handicaps to getting attention this fall to the 1961 products. The public likely was going to be more interested in politics than in automobiles. Ford Div. would have no new compact cars to offer, while its General Motors and Chrysler competitors would have completely new small cars. Ford also knew that both Chevrolet and Plymouth were making greater appearance changes in their big cars. To top it all, the first National Auto Show in four years would be held in Detroit in October and that certainly would tend to distract attention from any one make of cars.

• **Publicity Precedents**—The idea of using an entire town as a show window for Ford products came from Thomas J. Tierney, a young assistant of the division's public relations staff. It was inspired by an earlier Ford attention-grabbing scheme in which a consumer's panel picked by Dr. George Gallup drove new Fords, and by a Tierney-directed promotion in which a farmer tested a Falcon Ranchero and delivered a professional-sounding engineering and technical report on it.

This time, in thinking big, Tierney thought of his native Illinois. As a practical public relations man, he knew that the site of a press show should be centrally located so that travel cost and time wouldn't be a disadvantage to the news people of any particular section of the country. And if he wanted to fill a town with Fords, it had to be cen-



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It costs just \$630 including a 1-inch, f/1.9 lens (about one third as much as other cameras!) Telephoto and wide-angle lenses are available at modest cost. **Other Argus Direct-Wire TV Cameras start at \$595.**

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trally located so the supply burden wouldn't all fall on one or two plants at a time when production was just starting. And he remembered that the population center of the United States is somewhere in south-central Illinois.

- **Research Considerations**—Ford Div.'s market research manager, Dr. George Brown, decided that there were certain things he would like to know about people and their cars—particularly how families use more than one car. He told Tierney that market research requirements would be satisfied by a city in the population range of 4,000 to 8,000. The town should have a mixture of industry and agriculture and it had to be somewhat isolated; if it were in a metropolitan area, the whole deal would have been distorted by commuters and rubber-neckers and too many people would know all about the 1961 Fords too soon.

There were four towns near the presumed 1960 population center: Olney and Fairfield—both too big—and Louisville, a crossroads village that was too small. So Flora—nearly 100 miles away from any air transportation or commercial center—got the nod.

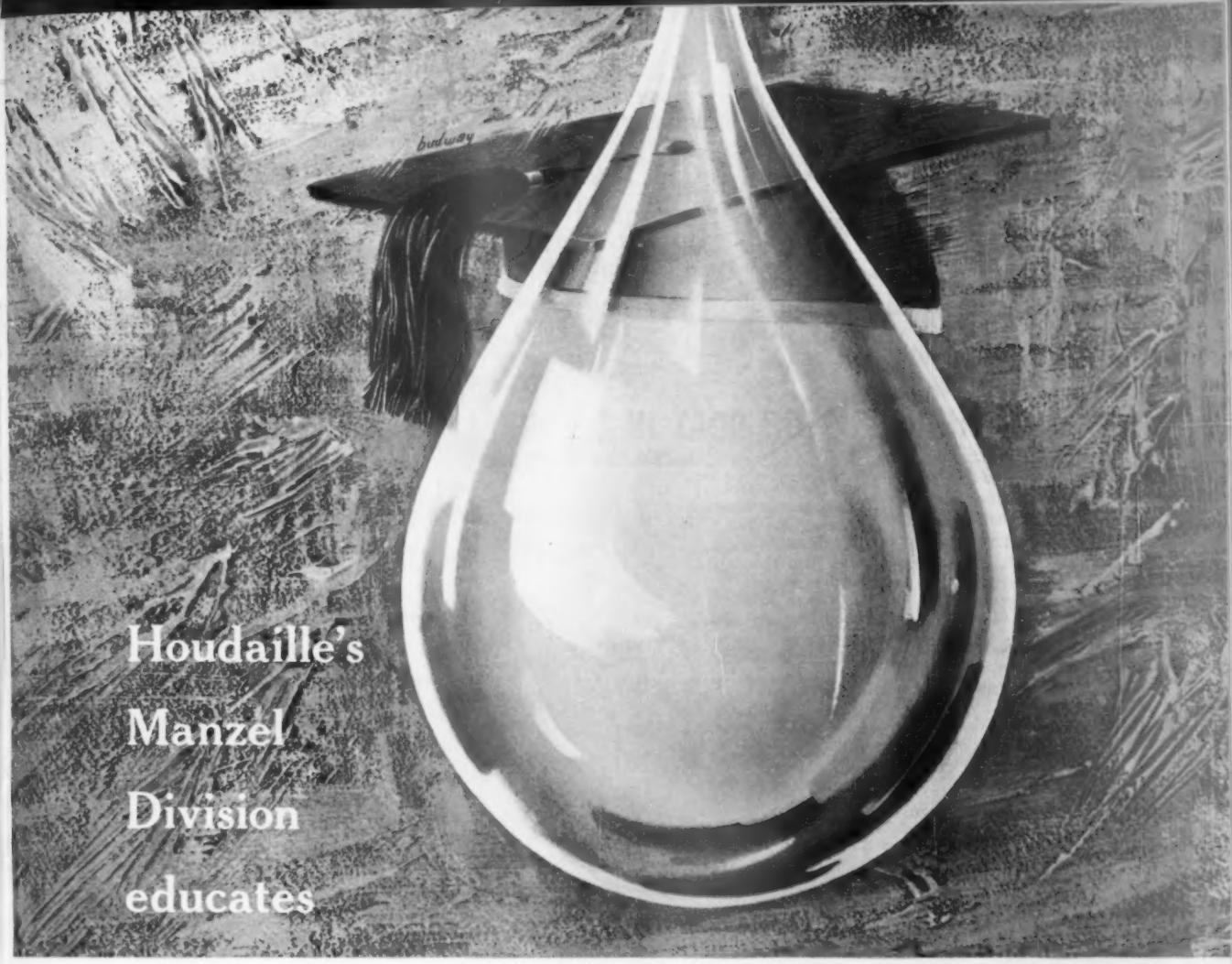
II. Happy Together

"Actually," says Mayor Norman Bryden, "we're nothing, neither East, North, South, or West." Although he was speaking about the city's geographical location, the description can be applied generally to Flora. It has several medium-sized plants employing 1,400. The town's population has barely changed in 10 years, and only 800 residents were born outside Clay County.

Its citizens claim to be progressive and Main St. shops have shiny fronts; but some of the stores are so ancient that one collapsed of old age. It is a simple, tree-shaded Midwest town, unchanged and unchanging, that Norman Bryden and a group of prominent citizens are trying to whip into an industrial and commercial center so that their kids won't have to leave home to find jobs.

- **Official Interest**—Bryden was born in Canada, grew up in Flora and was in business in Chicago for four years before joining his father's construction company in Flora. Since his election as mayor in 1955, he has been trying to make Flora attractive to new industry and in this he has been joined enthusiastically by Edward Benecki who moved into town the same year. A new plant of Sparton Corp. is their major conquest to date. Benecki, an attorney and president of the Chamber of Commerce, was born in Granite City, across the river from St. Louis.

For months, the two men have been anticipating the taste of publicity that Ford will brew up around their town. They think it will help their drive for



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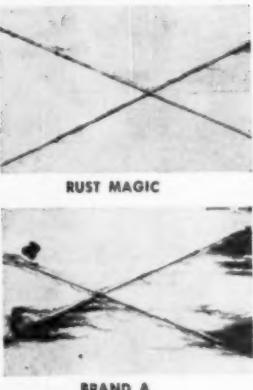


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industry, but Florans as a group—with some reservations by the Dodge dealers—have another reason, which is voiced by Benecki: "It's real flattering to have someone of the stature of Ford come down here. At least I'm flattered."

He has every right to be if you consider what Ford has had to do. First there was a survey of every Flora household that asked, among other questions, what Ford-made car the respondent would buy if he were buying this year. The answer to that question told Ford what kind of a vehicle to have waiting to be picked up Sept. 24 out in the former wheat field north of town. (There always are slips, of course; a five-year-old boy was listed for a car. So there's a gasoline-powered miniature waiting in the field for Joe Sehie.)

• **Extra Work**—These cars have been built at seven assembly plants, and getting them to Flora took the biggest hunk of the press preview budget. Ford had to hire and import to Flora workers to do a variety of little jobs on the cars, the things dealers normally take care of and Ford has never had to do. Accounting and distribution records and controls foreign to any normally used by Ford have had to be installed. Ford has rented four offices in Flora, installed 80 telephones, rented helicopters and five DC-3 aircraft, run new sewage lines.

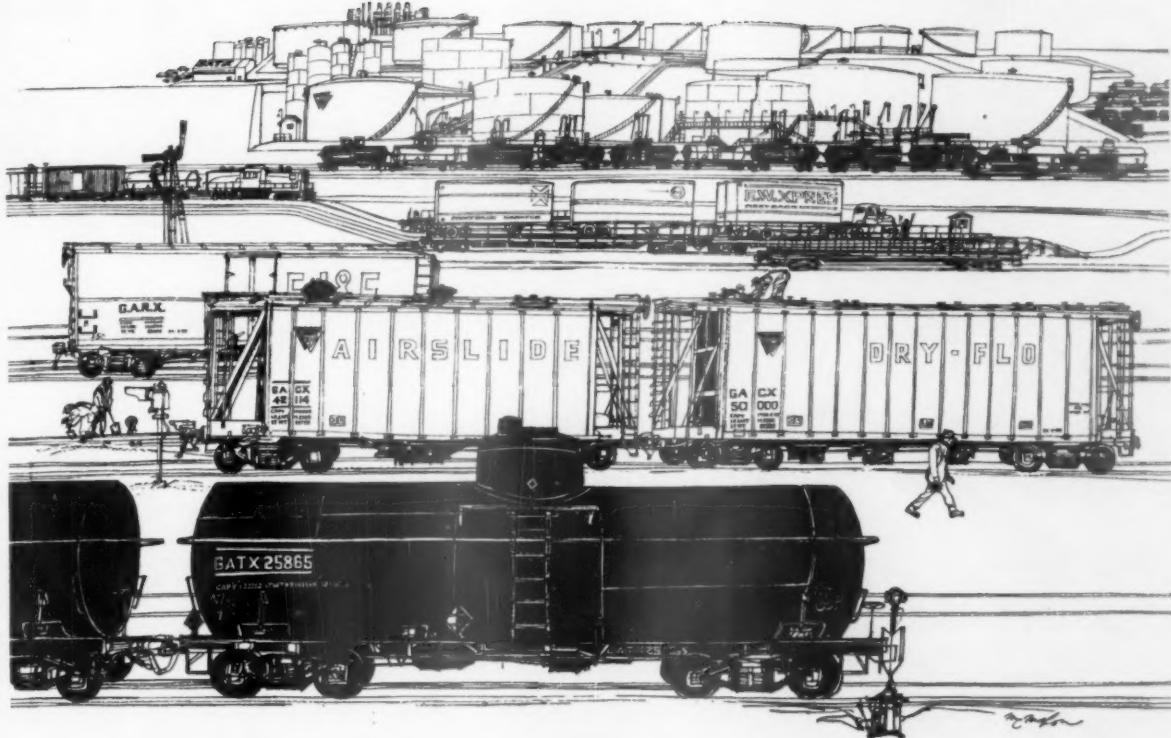
George Brown arranged with IBM to install a Ramac 305 computer in Flora and the census facts on Flora's people already have been sorted in it. This weekend, IBM will be processing replies to a car opinion questionnaire that Brown had put in the glove compartment of each vehicle.

Ford isn't engaging in this complicated, expensive activity solely to pique the press or flatter Florans. Florans aren't the most avid auto buyers in the country; the average age of their cars is seven years. But they probably react about the same as other Americans to various sales pitches.

• **Clue to Sales Approach**—And one of the big clues Wright hopes to get from the reactions of the Flora drivers is whether Ford's 1961 advertising and sales approach is on course. The glove-compartment survey may give Ford some new things to talk about, or some reason to modify some of the things it intends to say. Brown's big interest, as a market researcher, is in a survey of Florans that will be taken after all the white cars and blue trucks have departed.

In effect, his survey will ask, "How did you use two cars?" Brown says there never really has been an opportunity like this to do a case study of multiple car use under controlled conditions. A sideline observer, however, wonders whether anybody in Flora needs two cars or will use his old one when a new white 1961 Ford is standing by. **END**

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PILOT PLANT operation is watched by Stanley Capelin, consultant; Shelley Appleton, ILGWU officer; Ely Elias, head of industry group.

Tiny Pilot Plant Hikes Skirt

There was a swirl of excitement along Manhattan's Seventh Avenue last week, in the heart of the bustling, traffic-choked garment district. It centered on the tiny loft in the pictures. Here, in 2,000 sq. ft. of manufacturing and office space, 20 workers sat at rather ordinary sewing machines turning out women's skirts at a speed up to five times faster than many plants can manage. Visiting skirtmakers, dressmakers, and other apparel producers were wide-eyed at what they saw.

The loft, which in location and space is no different from the most inefficient units in garment making, is operating at an efficiency and cost that rivals the biggest, best, and most mod-

ern sewing operations in the world. Yet, it took only nine months to set it up as a cooperative, though management-run, effort of the industry's union and its management association.

• **Challenge to Industry**—The project is both a challenge to and a severe criticism of the very companies that financed and are supporting it—the members of the National Assn. of Skirt & Sportswear Manufacturers. The companies in this organization—235 in number, and viciously competitive with one another—make \$500-million worth of women's skirts, blouses made to go with skirts, slacks, and jackets every year.

Their experimental plant is a challenge, because it sets a public and in-

dustrywide standard for the kind of production efficiency that the needle trades can reach—and that almost any manufacturer can afford. It's an open criticism, because the system and almost every mechanical innovation in the shop have been available for years to anyone who really wanted to put them to work.

The special equipment in the shop, consisting mostly of pedestals and attachments for standard sewing machines, adds only 25%—or about \$250—to the cost of each machine. The return for this small investment—providing the shop is managed by a skilled production man—can be up to a fivefold increase in production.

PRODUCTION



MANUFACTURERS and men from other trade groups come to stare at a demonstration shop that's small yet efficient. Here they check quality of skirts from final pressing.



PLANT MANAGER Irwin Kahn, in shirtsleeves, has a rapt audience of manufacturers.

Output

The little loft on the sixth floor at 245 Seventh Ave. is called "the Skirt & Sportswear Pilot Plant," and it is the first thing of its type in the needle trades industry. For years various manufacturers' groups in the sewn products business have talked about such projects.

I. Tale of Two Men

But getting a bunch of highly competitive manufacturers in the garment industry to cooperate is harder than mixing a barrel of gunpowder inside a furnace. It took two powerful human catalysts to get the plant going.

One was Shelley Appleton, manager of the Skirt & Sportswear Workers

Local 23 of the International Ladies Garment Workers Union. The other was Stanley Capelin, a leading needle trades engineering consultant.

Appleton, a lawyer and enthusiastic ILGWU leader, offered his union's full cooperation, and warned the board of the Skirt & Sportswear Manufacturers Assn. that he was not going to back down on wage demands or contract provisions that prevent companies from moving out of the city. He made it quite clear that the only way the manufacturers could hope to survive in New York was to get their productivity up to levels where they could compete with low-wage plants in the South.

• **Dog-Eat-Dog**—Companies in the sew-

ing business are small, competitive, mostly run by seat-of-the-pants tradition. Few or none do any research or development in production methods. Managers—who are usually the owners, too—look for a hot item, slap it into production, and it's on the racks at Ohrbach's or Macy's or Carson Pirie Scott three weeks after the original design appeared in Paris showrooms or in a sketch in a fashion magazine.

Probably no other industry can hold a candle to the needle trades in tooling up for a new product. But as a result, the business is dog-eat-dog, and the rules permit copying, undercutting prices, and all sorts of skulduggery.

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SOUTH CAROLINA

Management's preoccupation with competition is why a man like Appleton was necessary to get the pilot plant going. But now he is content to let the project run without his participation. "I want it made clear," he says, "that this is no joint project. We cooperated, sure, and we'll continue to, because this looks good for the industry and our members. But it is a management group that runs it and finances it. It's for their benefit—they get higher productivity per worker, more productivity out of their machines... and it's proved they can make garments here in the center of the sewn products industry as efficiently as they can make them in a big plant in the South.

"Of course it will mean more wages," he concedes, "because our contracts are for piece work rates, but it means even more production for those wages and better working conditions. And better run, better managed companies mean steadier employment."

• **Industry's Problem**—Appleton had a lot to do with stopping the talk and starting the action, but the man who actually designed and created the pilot plant is Stanley Capelin, president of S. J. Capelin Associates.

Capelin, an industrial engineer, has been in the needle trades all his life. He soon saw that it was probably the most technologically backward, mismanaged big industry in the world, even though it's one of the fastest moving, most flexible. The almost insuperable problem is to apply good engineering to the industry without interfering with its ability to change products overnight, to respond to the variable winds of fashion merchandising.

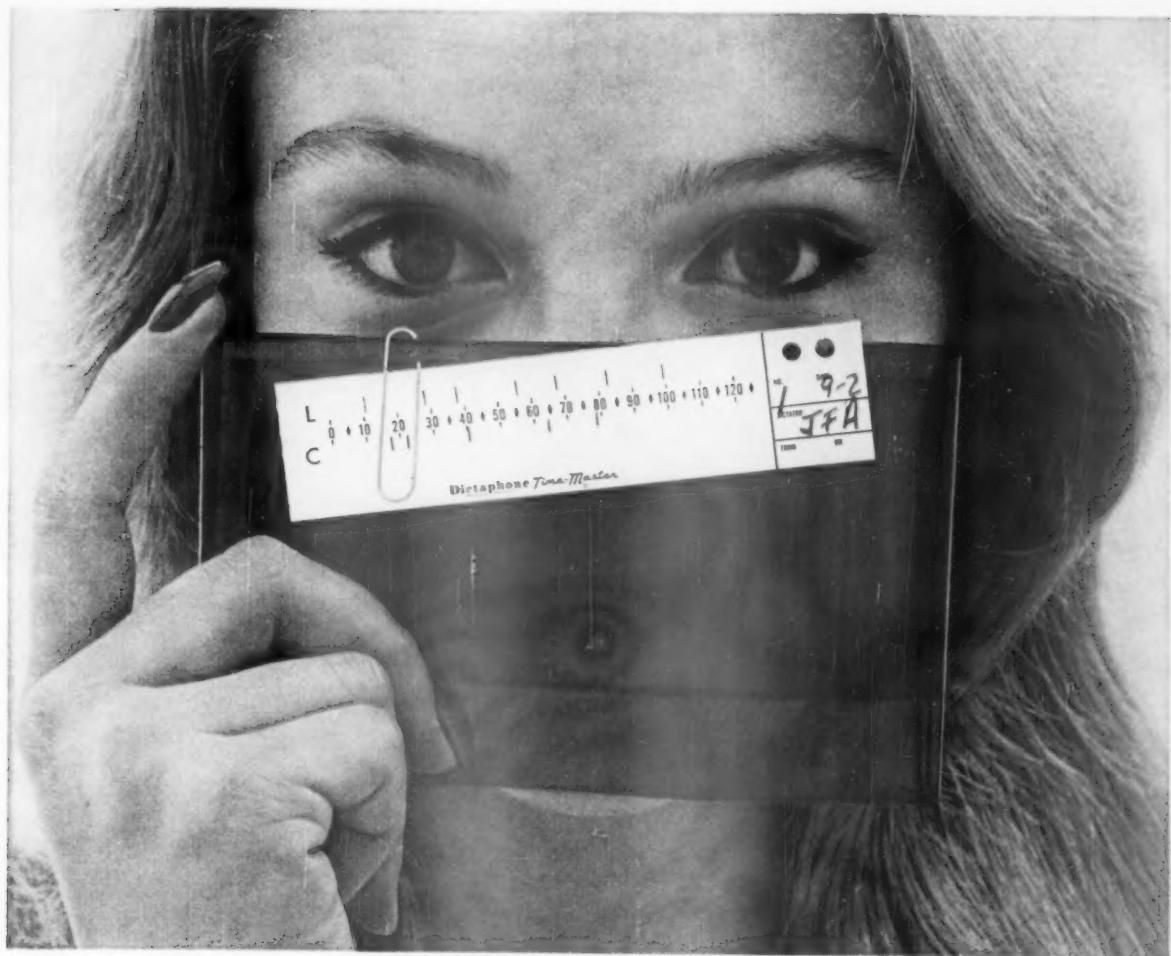
Capelin set up a consulting practice 30 years ago, built up a staff that has grown to 80 industrial engineers. The firm has 300 clients in the U.S. and abroad, charges them a minimum of \$6,600 a year, for which they get a thorough going over by a Capelin man at least twice a year.

Quite a few Capelin clients will testify to dramatic improvements. A large pajama manufacturer, for example, claims that his production rose from 2 dozen per machine operator per day to 3 dozen. In five years, the plant was able to reduce its number of employees from 600 down to 400 while increasing output.

• **Riot Act**—Capelin, like most of the company owners he has to deal with, is tough, and he doesn't hesitate to read the riot act if he thinks a client is ignoring improvements.

"Believe me," he says, "a lot of these guys who grew up in the business think they know everything and don't like to be told there is a better way."

Capelin's biggest gripe is that the sewn products industry does almost no engineering on its own. The Interna-



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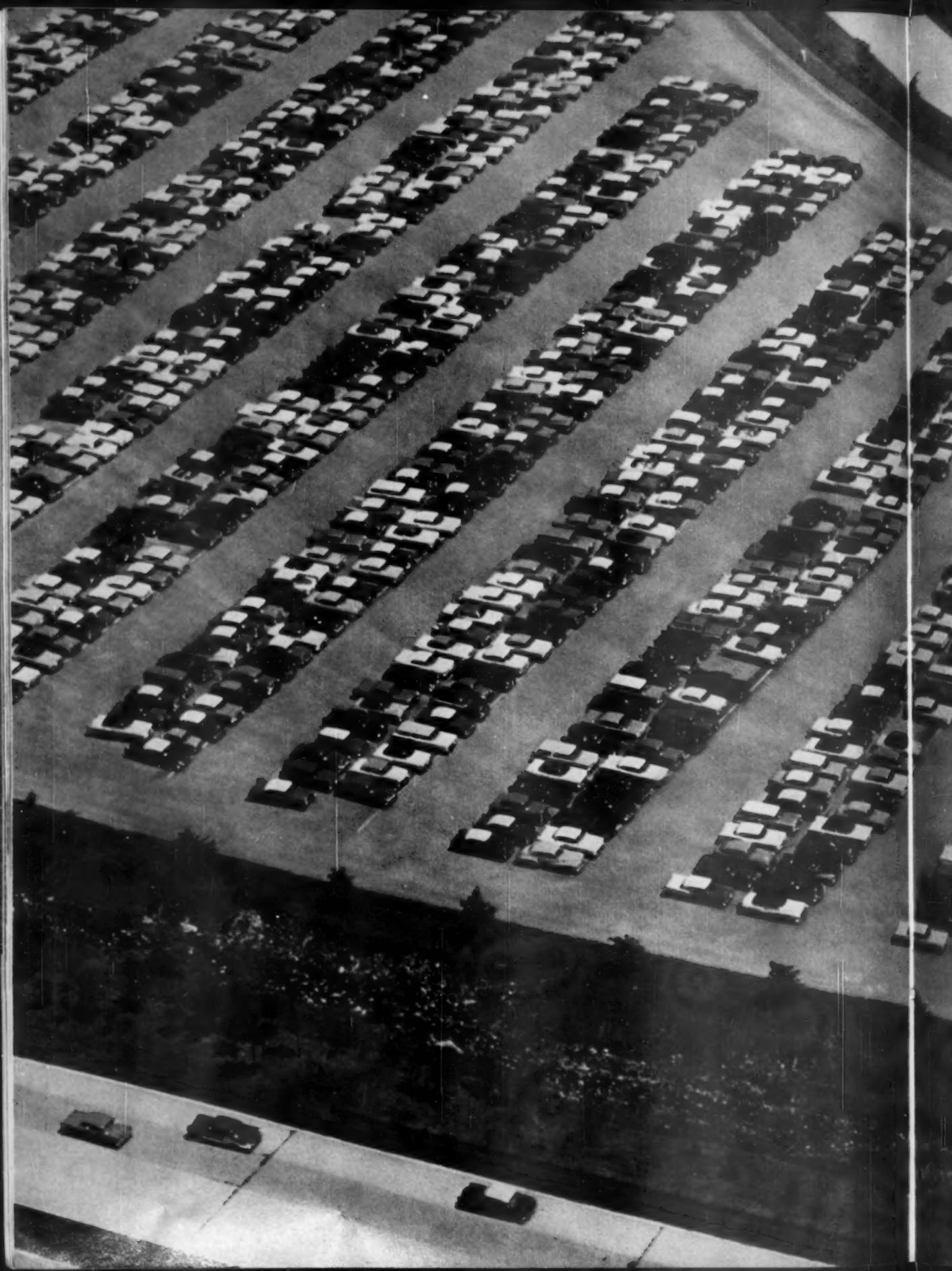
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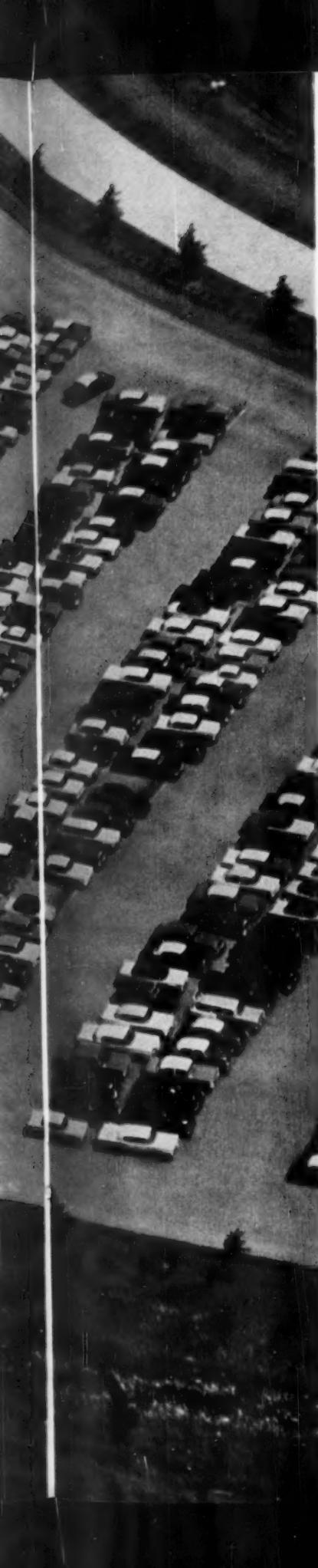
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Foreground, a wrapped motor-tube of R/M Pyrotex® phenolic-impregnated asbestos tape . . . background, a new U. S. weather rocket. Thus artist Nicholas Solovloff interprets one of R/M's contributions to space flight.



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tional Ladies Garment Workers Union itself does more than any single manufacturer. It has set up an engineering department staffed by a dozen men.

Manufacturers can also get engineering help from Singer Sewing Machine Co. and Union Special Machine Co., the two biggest capital equipment suppliers to the industry, but this tends to be of a limited nature.

• **Big Chance**—So when the Skirt & Sportswear Manufacturers Assn. began talking up a pilot plant, Capelin offered to engineer it for them without charge if they would pay for the equipment and space. "I couldn't resist the chance to do it right under their noses—it was a terrific opportunity," says Capelin.

The size of the plant—20 machines—is almost as small as they come in the industry. In sportswear, plant size runs from 10 or so machines to over 200. The floor area of the pilot plant, 2,000 sq. ft., is typical of New York City lofts.

But while the workers may look crowded—each has 100 sq. ft. of floor area—typical New York lofts operate with only 30 sq. ft. per girl.

II. Every Second Counts

The methods Capelin used to increase production in the shop wouldn't look revolutionary to most manufacturers. It's merely a matter of putting to work at once all the little devices and tricks that speed product flow—and, as much as possible, putting the skill in the machine head by using attachments rather than depending on the operator. Some of the devices:

• When one sewing machine stitches a seam, an attachment on the sewing head opens it and irons it flat—eliminating a "seam busting" step.

• One girl operates two machines mounted side by side—one to sew buttonholes, the other to sew on buttons. She can start the automatic buttonholer, sew on a button while it works.

• Automatic thread cutters on almost all machines eliminate threads hanging out of seams—and a floor girl to go around cutting them off.

• Electrical accessories automatically position the needle, so the machine will stop in either the down position or up position. This saves motions that take only a second or two per garment, but adds up to hours on hundreds of dozens of garments.

• **Material Handling**—Material handling, too, is changed. Most shops sew in bundles tied with string; when a girl finishes a bundle she ties it and a floor girl takes it to the next operation. The pilot plant uses pedestal-type machine mounts so a wheeled device that clamps the bundle can roll right up to the sewing machine. The operator can flip through the bundle one garment at a time without ever detaching it from



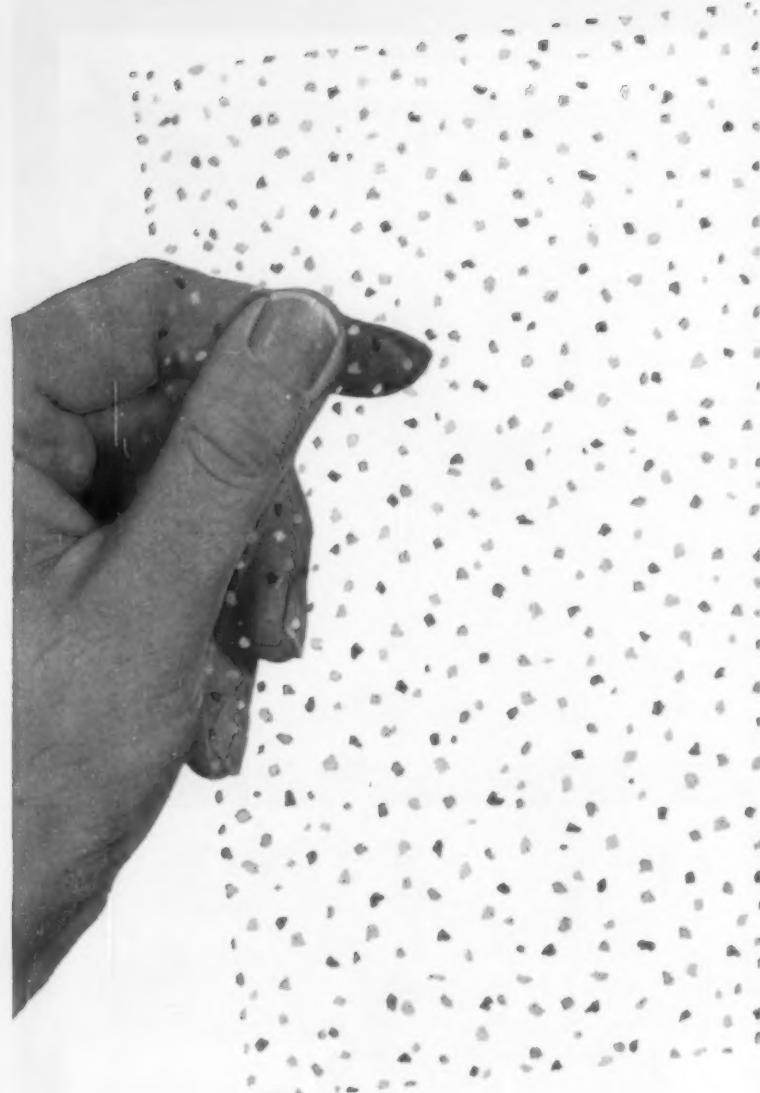
this jet gets built faster...

*with Osborn
power
brushing*

Not long ago, one of America's top jet engine-makers flew straight into a production bottleneck. To remove sharp edges and burrs from a crucially important part, it was hand-filed and emery-rubbed—a job that took a full 80 minutes. Today, an Osborn Metal Finishing Machine does the same job in just 8 minutes...*10 times as fast*. And the quality is higher, the finish more uniform and precise. This is typical of the way Osborn metal finishing methods are helping America's leading industries. To find out how Osborn can help you speed production, cut costs and improve product quality, write *The Osborn Manufacturing Company, Dept. A-212, Cleveland 14, Ohio*.



Metal Finishing Machines...and Methods • Industrial Brushes • Foundry Production Machinery



Look what you can't see...

In a Paterson Overlay Paper you can't see the paper!

You can see the attractive metal fleck pattern in this particular paper... and that's all you can see after the paper has been put under heat and pressure and saturated with a special plastic resin.

A Paterson Overlay Paper is the starting point for the surfaces of many famous plastic laminates. You probably have one of these laminates on

your kitchen counter tops. The brilliance of its colors and patterns—which seem to float—is due in large part to a Paterson Overlay Paper which has turned transparent on the laminate's surface during the manufacturing process. All you see is the pattern. All you feel is a hard, wear-resistant surface...

But it all started with the disappearing act of a Paterson Overlay Paper.

"Something Special in Papers"



PATERSON PARCHMENT PAPER CO.

BRISTOL, PENNSYLVANIA

Sales Offices: New York, Chicago • West Coast Plant: Sunnyvale, Cal.

its cart. The next girl does the same.

Where the job isn't adaptable to this "waterfall" cart technique, there are automatic stackers, costing from \$35 to \$200. These increase a girl's output a dozen or so a day, and keep the fabric from wrinkling.

"It seems fantastic, I know," says Capelin, "that you can put all these tiny half-second improvements together and come up with a system that increases production five times. Well, we've done it, and they can't tell me it's impossible any more."

• **Impressed**—At the first demonstration, representatives of other manufacturing groups—blouse and shirt contractors, infants' and children's coat makers, the National Dress Manufacturers Assn., and others—were impressed enough to talk about setting up similar pilot operations.

If many do, there could be scores of such pilot plants. The industry is broken up into a dizzying number of operations and associations and types of manufacturers. Singer Sewing Machine Co. sells to over 2,000 different classifications of garment manufacturers.

Sportswear operations are fairly typical. About 75% of production is contracted—companies hire a contracting house to make their products. The rest is done in "inside" shops, contracted out when they have big orders.

There are two broad classifications of production techniques, used in both inside and contract shops. The older method is whole garment work—a girl sits down at a machine, makes a dress or skirt as she would at home. The newer way, more mass-production oriented, is section work—each girl sews only one part of a garment, a side seam, a belt, or buttonhole. This is faster and cheaper for large orders, but whole garment work is best for short-run high fashion items. The proportion of work done by each technique varies in different branches of the needle trades.

• **Problem**—The pilot plant, of course, is a section work shop. But it pays better wages than most plants, so can call on skilled workers.

I. A. Agree, general manager of the National Dress Manufacturers Assn., thinks the pilot shop is a good idea, but sees personnel problems in his association, where only 15% of production in the New York area is done in section shops. He fears the workers, used to whole garment work—which carries a higher social prestige though perhaps not so high pay—would resist.

Capelin believes this problem will solve itself—"the girls will have better working conditions, more space, easier jobs, more pay."

• **Finances**—Singer Sewing Machine Co., impressed by the pilot plant's showing, plans to offer a financial package

*"We transport your shipments
from door to door*
at no extra charge...
not a single cent more!"*

-says the Railway Express Eager Beaver



Door-to-door delivery within published limits* by Railway Express doesn't cost you anything extra. And you can ship to any of some 23,000 communities in the U.S. What's more, now you can save up to 60% on certain commodities at our new low rates. Shipping? Receiving? Today's a good time to call your local Railway Expressman—and get full information about Eager-Beaver Service!

LET THE EAGER BEAVER DO IT!





GENTRO-JET®... improves tread wear up to 30%

Fleet road tests prove Gentro-Jet 9152 SAF black masterbatch offers better road wear in tires than any other commercially available rubber-black combination . . . more than 30% better wear than tires made with conventional dry mix. For complete information on the amazing qualities of Gentro-Jet . . . or other General Tire chemicals for your industry write Dept. B today!

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Fast processing • Savings in shipping, storage and handling
• Cleaner in-plant operation.

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THE GENERAL TIRE & RUBBER COMPANY Chemical Division • Akron, Ohio

Chemicals for the rubber, paint, paper, textile, plastics and other industries: GENTRO SBR rubber GENTRO-JET black masterbatch • GEN-FLO styrene-butadiene latexes • GEN-TAC vinyl pyridine latex • GENTHANE polyurethane elastomer • ACRI-FLO styrene-acrylic latexes • VYGEN PVC resins and compounds • KURE-BLEND TMTD masterbatch • KO-BLEND insoluble sulfur masterbatch

that would include all of the attachments and accessories, whether made by Singer or not. Many, such as the automatic needle positioner and work-holding fixtures, are not Singer products.

Capelin says that such a shop should be able to turn over its capital 10 or 18 times a year if it wants to. In an industry where interest charges for leasing machines run to 14%, that's an important consideration.

He claims that direct labor cost for sewing pieces together and pressing them runs to 20% to 40% of total production cost. He sees no reason why that can't be cut to 10%.

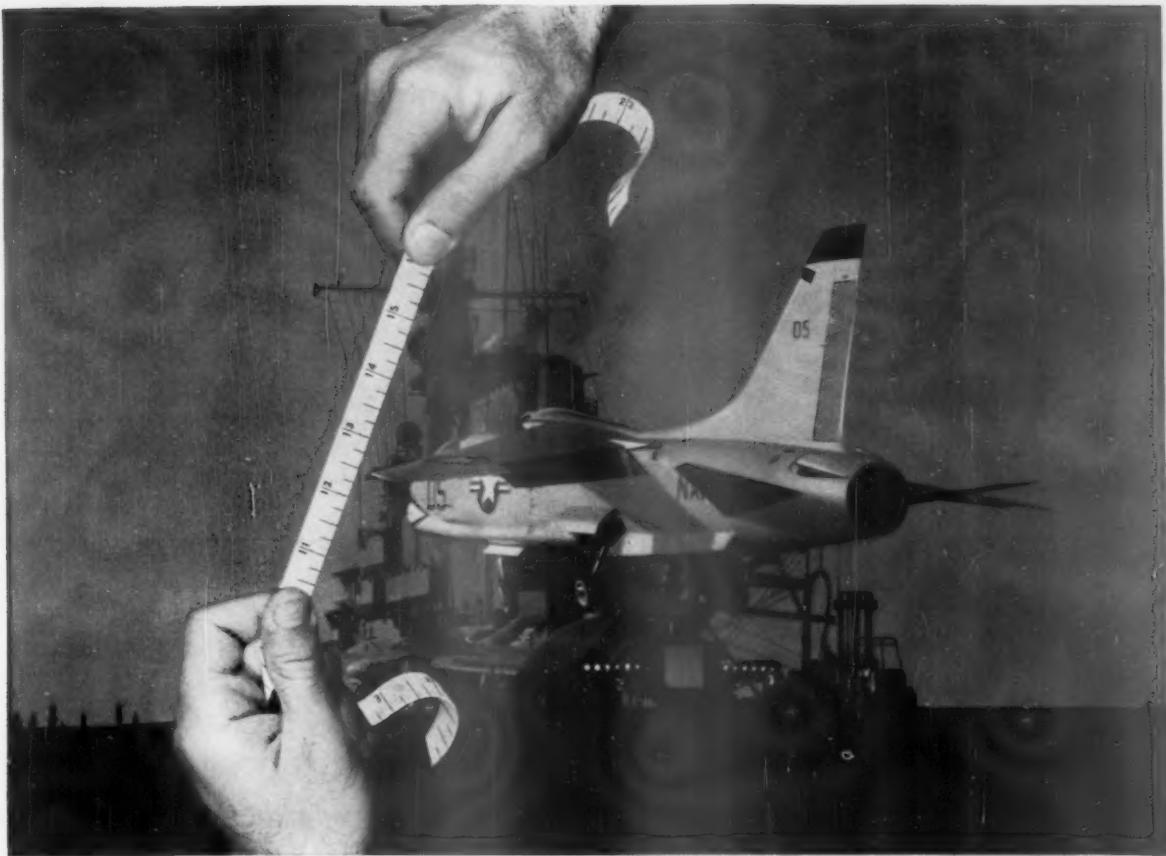
For Capelin, the pilot plant may bring a lot of business. At the opening, an executive pointed a long, fat cigar at him and shouted over the din, "Stanley, don't forget to call me." "I don't even know who he is," Capelin commented, "and he's calling me by my first name already."

PRODUCTION BRIEFS

A 10% price cut on General Electric Co.'s standard line of numerical positioning controls for machine tools will go into effect Oct. 1. This is in response to the expanding market for automatic controls in the machine tool industry, plus stiffer competition. Not only are Bendix Corp. and other control specialists crowding into the field, but some machine tool makers want in as well. Price cuts will apply to GE's non-solid state Mark series. Its contouring controls and new, transistorized Mark Century controls will sell at their regular levels.

An ammonia plant will be built at Tampa by Tennessee Corp.'s U.S. Phosphoric Products Div. The plant will contain a single-vessel ammonia synthesis converter with the largest vessel capacity in the world. It will use natural gas as a raw material, and will turn out 350 tons of ammonia a day. The design and construction contract was awarded to Chemical Construction Corp.

A new, quick technique for servicing computer control and data logging equipment in the field has been put into operation by Daystrom, Inc. It's done by a special telephone hook-up. In La Jolla, Calif., Daystrom has a console that contains all of the functions of Daystrom installations. This hook-up is done with a telephone wire. If the customer's system needs a program correction, this can be transmitted from La Jolla over the wire. If a repair is needed, a La Jolla technician can guide a customer's plant man with instructions over the telephone.



U.S. Navy Chance-Vought F8U fighter, shown landing on aircraft carrier, is one of the types of military planes that will be helped by new Bendix Radar Altimeter.

NEW RADAR ALTIMETER MAKES FLYING SAFER BY MEASURING AIRCRAFT ALTITUDE PRECISELY

A new Bendix lightweight radar altimeter will soon give Navy carrier-based pilots an absolute altitude reading any time of day or night, regardless of weather conditions.

An important breakthrough in altitude measurement accuracy, the Bendix Radar Altimeter has a bright future in safeguarding landings for all kinds of commercial aircraft—from large airliners to helicopters and light business planes—by providing super-accurate readings from zero to 5,000 feet above ground.

This device—developed and manufactured by our Bendix-Pacific Division, North Hollywood, California—is an especially important safety factor in carrier landings. It measures altitude by timing radar pulses as they bounce back from the deck. It is not affected by pressure variations resulting from sudden changes in weather conditions, and it thus supplements the standard barometric

altimeters which depend on atmospheric pressure to determine altitude.

Today there are literally scores of different Bendix instruments and controls meeting the highly specialized needs of the jet age. These include: vertical scale instrumentation—moving tapes that give pilots flight data in quick, easy-to-read fashion based on studies of human reactions; the first completely transistorized autopilot—to fly jets with great exactness and bring them down automatically for precise landing approaches; Bendix® Doppler Radar—an airborne pinpoint navigation system that is completely independent of ground facilities.

Among still other modern Bendix



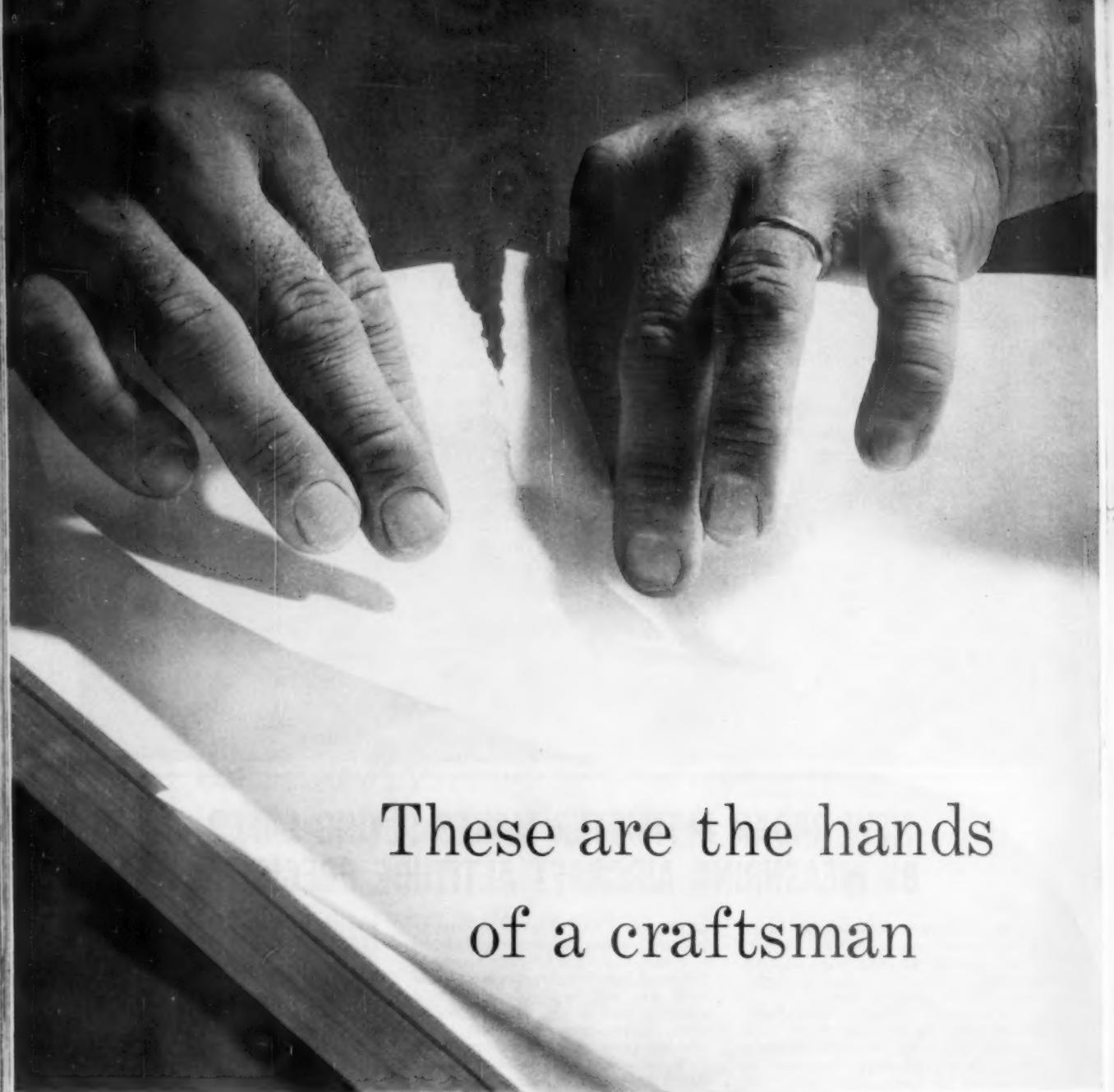
Another important Bendix product is rectangular vertical scale instrumentation for latest-type military aircraft. Shown being assembled, it presents data to jet pilots on moving tapes and is fast superseding conventional clock-like instruments.

instrumentation devices are: airborne radar for storm avoidance; surveillance radar to guard you en route; airborne navigational computers; fuel metering systems; Mach number and airspeed indicators; rate of climb and descent indicators, and engine performance instruments.



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These are the hands of a craftsman

At the moment, they are being used to judge the strength and quality of a sheet of paper produced by KVP Sutherland.

Testing machines do this, too, of course. We use a great many of them in the highly technical art of modern papermaking. But a veteran papermaker ...a true craftsman...must also see and test for himself.

The point is, there is no substitute in our industry for the judgment that comes from experience. When you put your packaging problems in the hands of KVP Sutherland, you get the pooled experience and wisdom of the nation's top experts in pulp, paper and paperboard, package design and printing.

All of this is backed up with a dependable source of supply from 3,400,000 acres of trees in KVP Sutherland forests. Backed up, too, with quality control all the way from trees, to pulp, to paper and paperboard, to people.

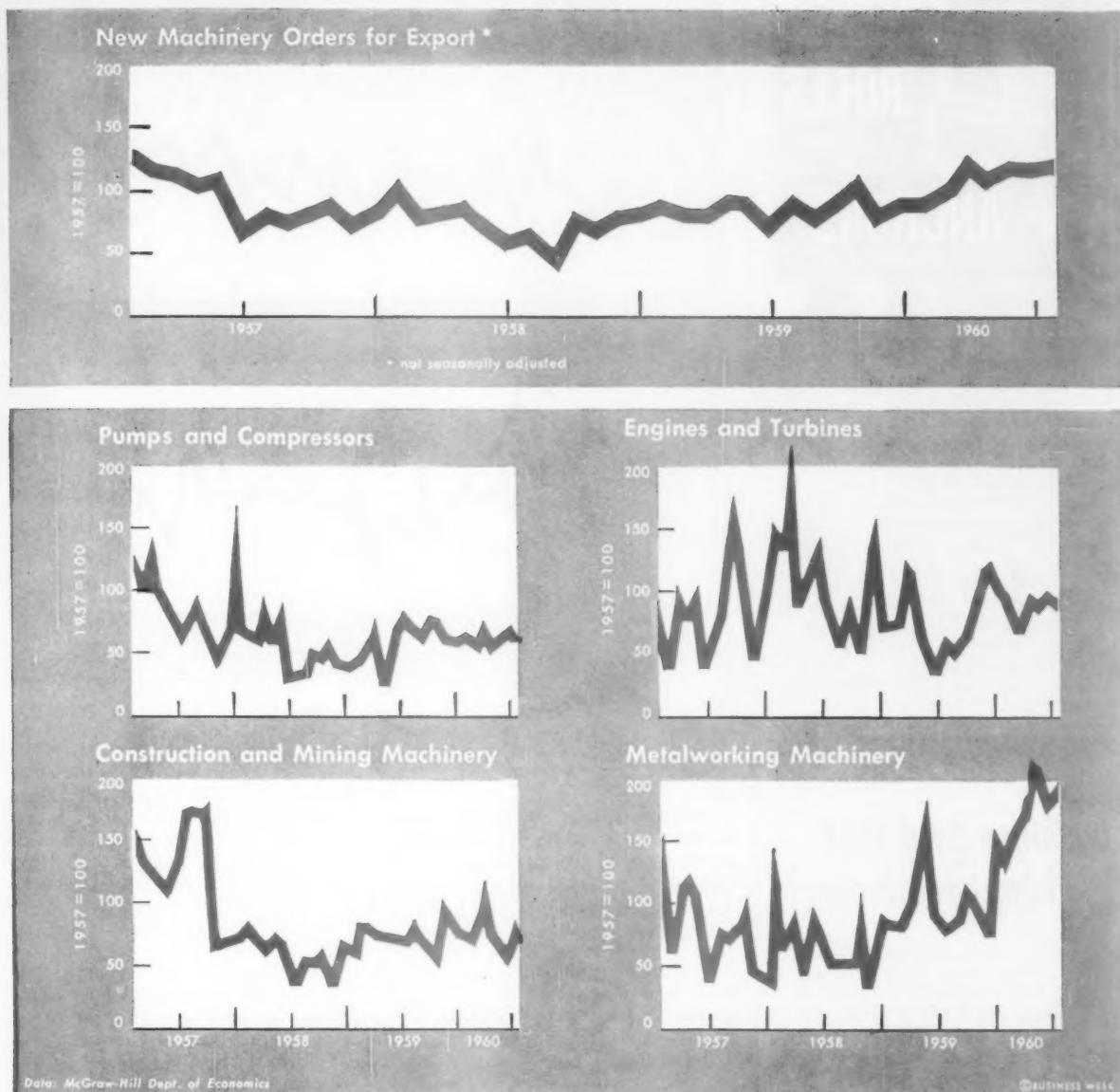
We solicit a chance to apply these resources to your packaging problems.

KVP SUTHERLAND PAPER COMPANY • KALAMAZOO, MICHIGAN
14 plants in the United States and Canada to serve you



...the paper people

CHARTS OF THE WEEK



Exports Boost Machinery Sales

"Almost two-thirds of our current backlog is in foreign orders." That's what Walter S. Praeg, president of National Broach & Machine Co., maker of gear cutting and broaching machines, told a BUSINESS WEEK reporter at the quintennial show of the National Machine Tool Builders Assn. (BW—Sep. 17 '60, p28).

Not all machine tool manufacturers reported such a heavy concentration in export business, but it was apparent that the U.S. machine tool industry, as well as other machinery makers, would be in serious trouble this year were it not for overseas orders. With

the domestic economy drifting sideways on its high plateau, and some companies applying brakes to capital spending, exports have become more important to U.S. machinery makers.

- **New Series**—That's why a new index series developed by the McGraw-Hill Economics Dept. will be one to watch: The McGraw-Hill Index of New Machinery Orders for Export. Starting this week, and once a month thereafter, this new indicator will appear among the Figures of the Week (page 2). It will provide a useful measure of the impact of foreign machinery purchases on the U.S. economy.

Last year, American manufacturers shipped \$3.7-billion worth of machinery outside the U.S. This represented almost 7% of total machinery sales in 1959, but was below the post-war high of \$4-billion-plus (9.8%) in 1957. During the first seven months of 1960, machinery exports of \$2.5-billion were 11% over the comparable period last year, when less than \$2.3-billion went overseas.

There are four major influences at work in this year's upsurge in foreign machinery orders:

- **Better mousetraps**—In some cases, it is simply that an American manufac-



New, safe climbing and reaching convenience for office, store, warehouse, anywhere. Kick it and it glides wherever you want it. Step up and it instantly grips any floor surface. Can't wobble, slip or skid. Choice of black, white or 10 decor colors. At your stationer's or office supply store. Only \$14.95, fully guaranteed.



SAFETY STEP STOOL

Write for literature, quantity discounts, names of nearest dealers.

CRAMER Posture Chair Co., Inc.
625 Adams St. • Kansas City 5, Kansas

business card that keeps reminding!

Put your business card copy on a Barton Pen or Pencil. Present it with pride. Remind prospects and customers of your company, your product, your service.

It costs less than lunches . . . and it lasts!

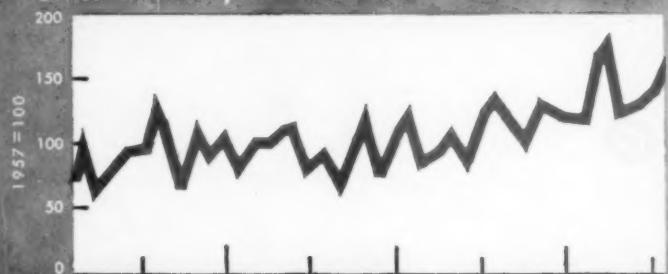
FREE! Colorful folder with 13 exclusive new models. Write today.



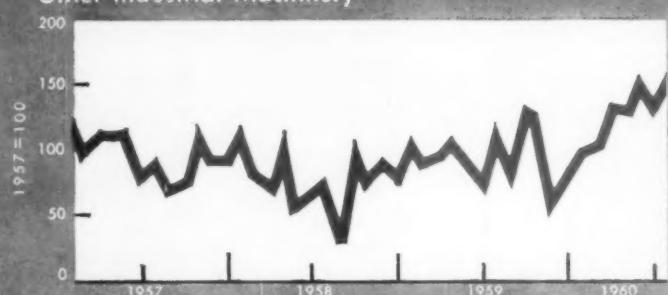
SHAW-BARTON
GERLACH-BARKLOW
Calendar and Specialty Advertising

SALES OFFICES IN PRINCIPAL CITIES
GENERAL OFFICES AND PLANT, COSHOTON, OHIO

Office Machinery



Other Industrial Machinery



Data: McGraw-Hill Dept. of Economics

BUSINESS WEEK

turer produces a machine that does something unique, or does something better or cheaper than any foreign make.

Delayed delivery on foreign equipment—German and British manufacturers, particularly in machine tools, have been swamped with orders as a result of the industrial boom abroad. Foreign plants that want delivery in less than 18 months are turning to American companies, despite the higher price tags. The future of this type of business is uncertain (BW—Aug. 27/60, p23).

Brand loyalty from U.S. companies building abroad—In order to offer competitive prices in foreign markets, American manufacturers have been building or expanding facilities outside the U.S. But because much of their manufacturing process is keyed to U.S.-made machinery, many companies have been buying equipment here and shipping it to their overseas plants.

One-up-manship—When American companies open a new office or plant abroad, they tend to equip it with the very latest, most efficient machines. This helps to spur foreign owners into up-dating their own plants in order to match or surpass the American effort. Since U.S. manufacturers still hold the edge in most types of office machinery, as well as in some production equipment, the orders flow in their direction.

In Springfield, Vt., Nicholas Leyds, vice-president and general manager of the Bryant Chucking Grinder Co.,

makers of high-production, high-precision grinding machines, said: "The surge in exports this year has been tremendous." For the past several years, exports have accounted for an average 20%-25% of Bryant's total business; this year they're over 50%. Biggest markets have been among automobile and parts manufacturers in England, France, West Germany, Italy, and Japan.

The Cross Co. in Detroit has sold large transfer machining lines for autos to the Soviet Union and to General Motors' Opel plant in Germany.

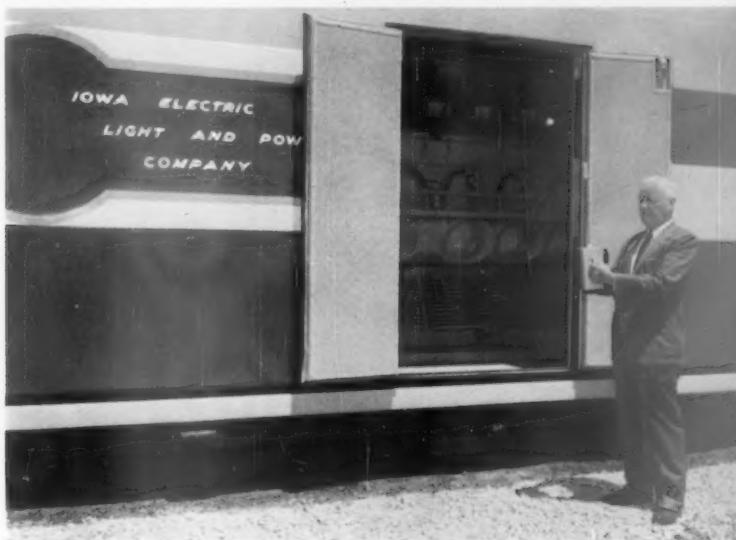
Danly Machine Specialties, Inc. of Chicago sold four huge presses to Japanese and German buyers in the first two days of the NMTB show.

A major New England machine tool builder admitted that about 40% of its sales outside the U.S. are going to foreign subsidiaries of American companies.

Meanwhile, machinery imports, too, have been edging up this year. Last year was the biggest year so far for machinery imports, \$656-million; but if the pace persists, this year will eclipse that record. From January through July, 1960, total machinery imports totaled \$418.6-million, a healthy 14% over the first seven months of 1959. Biggest chunk was in electrical apparatus, notably the heavy type such as generators, turbines, transformers, and power circuit breakers. Electrical industry spokesmen have been expressing concern over this influx for some time.

"Why make a big thing out of a 2000 KW plant?"

**Remarks made by Sutherland
Dows, President, Iowa Electric
Light & Power Company, at
plant dedication, Ames, Iowa.**



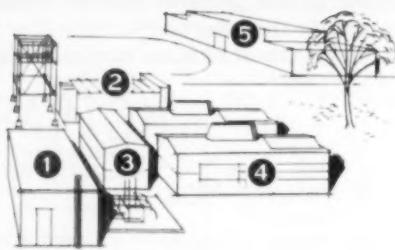
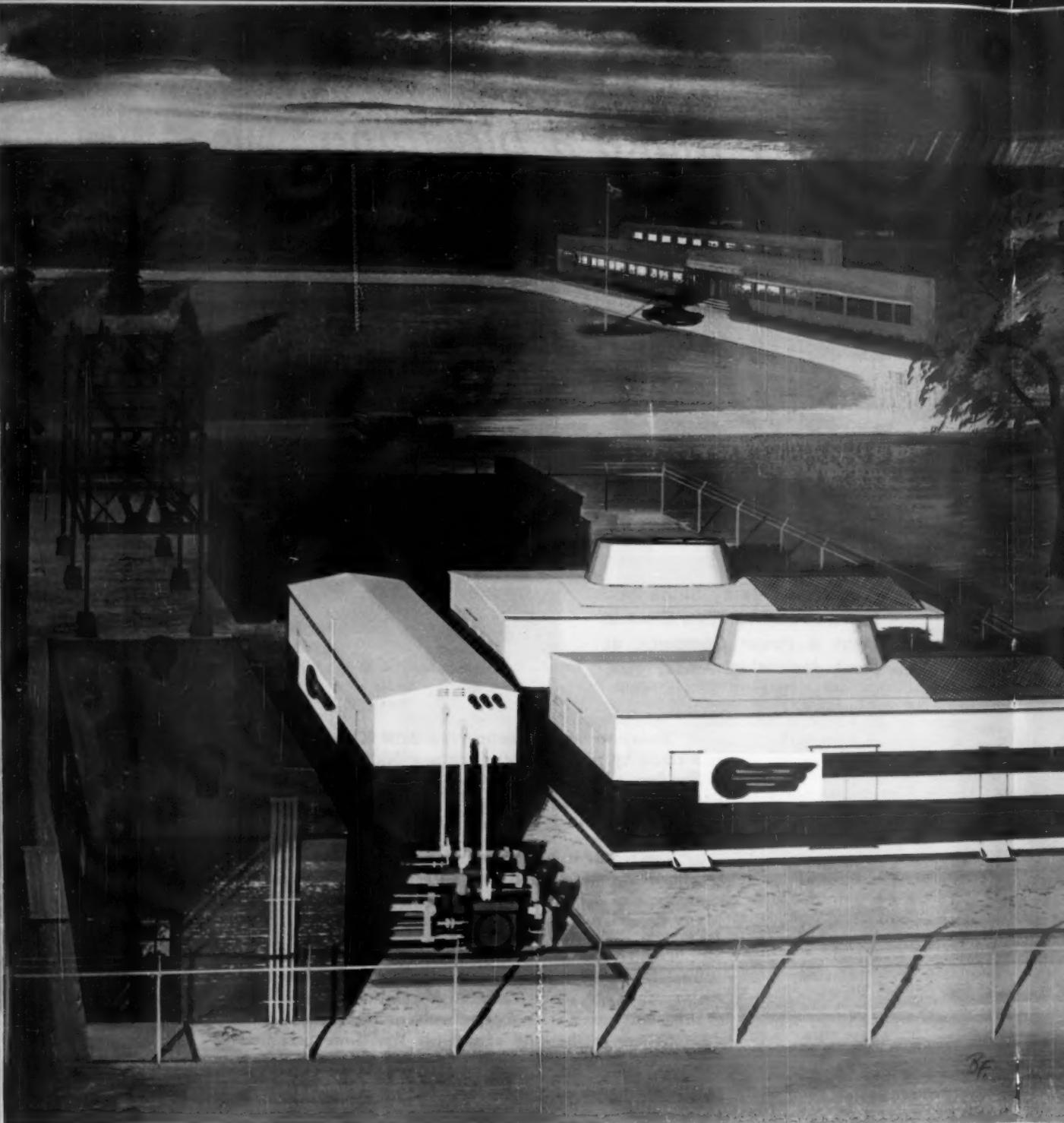
"Today we are dedicating this 2000 KW Electro-Motive peaking and stand-by plant to serve the new National Animal Disease Laboratory here at Ames. Surely the addition of this Electro-Motive unit is not a very big item in a system of our size. So . . . why make a big thing out of a 2000 KW plant?

"The reason it is receiving such attention is because of the unusual circumstances which prompted its design and installation, and the unusual type of service it will render under very special circumstances. Many things are being done here for the first time.

"Due to the type of experimentation to be carried on in this new animal disease laboratory, the facility had to be *guaranteed a practically continuous supply of electricity*. Although we have a multiple source feed at this point, no one can guarantee the uninterrupted operation of transmission lines in the kind of weather that Iowa occasionally gives us.

"We have operated two Electro-Motive peaking plants at Guthrie Center for the last four years. And, their proven efficiency and reliability for our kind of peaking service convinced us that a new Electro-Motive dual-fuel plant was the answer to our problem here at Ames. So, we have located this new plant here at the laboratory where it is available for system peaking and for almost instantaneous service in the case of line outage."

*This Advertisement Explains How
Electro-Motive serves Iowa Electric Light and Power* ►



1. Utility fuel and auxiliary control house for laboratory
2. Transformer
3. Peaking plant control component
4. Peaking plant generators
5. Animal Disease Laboratory



This Electro-Motive plant supplies both peaking and stand-by power

Iowa Electric Light and Power's new installation demonstrates the remarkable flexibility of the Electro-Motive dual-fuel plant . . . a standard unit designed to meet a wide range of utility operating conditions.

The unit fulfills unusually stringent requirements of automatic area protection . . . it also operates as a remote-control peaking plant . . . it qualifies as system reserve and as generation credit in the area pool.

Here are some of the details of this installation:

Automatic Dead Load Pick Up

The 2000 KW capacity of the Electro-Motive plant is adequate to provide the non-interruptable power requirements of the laboratory. In addition, provision for automatic dead load pick up is provided through a unique automatic control system. Although the new animal disease laboratory is served by two separate transmission lines, the Electro-Motive plant is designed to provide additional power supply protection under any of these contingencies: (1) If a line outage occurs and attempts to reclose if fail, an automatic signal starts the Electro-Motive plant and brings it up to full speed, no load; (2) Should simultaneous attempts to tie in the second transmission line fail, another automatic signal puts the plant on load; (3) If either transmission line holds, the Electro-Motive plant shuts down automatically after a three-minute running period; (4) If an outage occurs during peaking service, the plant automatically drops out and follows the automatic sequence for dead load pick up.

When either line is restored, the plant automatically resynchronizes with the utility system and is ready for peaking.

Remote Control Operation

The Electro-Motive plant will normally supply 2000 KW peaking power five days a week. In this task, the plant is operated by remote control from Boone, Iowa, 20 miles distant. On signal, the unattended plant starts, synchronizes and goes on line in less than two minutes.

Operation from start to stop is completely automatic.

Dual-fuel Operation

Dual-fuel operation was selected for this application because of the relatively long daily peaking periods. The dual-fuel modification of the standard Electro-Motive Diesel plant adds to the initial investment cost. But, because of its low heat rate (11,500 BTU/KWH), it can provide the total KWH required for this installation at a *lower* cost per KWH than can be achieved with any other type of peaking equipment.

In case of low gas pressure, or loss of pressure, the plant automatically switches to Diesel fuel and back again when pressure is restored.

Adaptable to Many Functions

The inherent design characteristics of Electro-Motive equipment make it ideally suited for many of your system peaking and reserve requirements. Electro-Motive plants provide:

- fast start for spinning reserve
- high starting torque for dead load pick up
- unattended operation for remote peaking service
- portability for simple installation
- freedom from damage to components caused by rapid thermal changes occurring from start to full load.

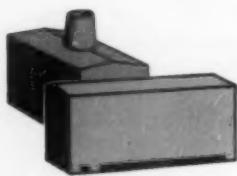
See additional details on this versatile peaking plant on the reverse side of this page.

Electro-Motive peaking plants now available in capacities up to 10,000 KW

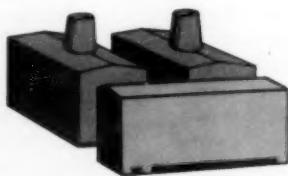
The Electro-Motive peaking equipment line contains both Diesel and dual-fuel plants in a range of sizes which permit matching the plant to exact requirements for the most economical and efficient operation at the lowest investment. When load growth occurs, additional generating units may be added at low incremental cost to bring the plant up to desired size.

The reliability of Electro-Motive peaking units results from many years of operating

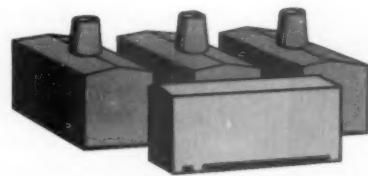
experience with the 25,000 GM-567 Diesel engines now in service. This engine is the heart of the peaking plant. Control equipment for the peaking unit has evolved over a period of six years through more than 100 prototype plants. And, behind this proven, reliable plant, Electro-Motive stands as a single-source manufacturer with single-source responsibility for your peaking power requirements. Ask your Electro-Motive representative for complete details.



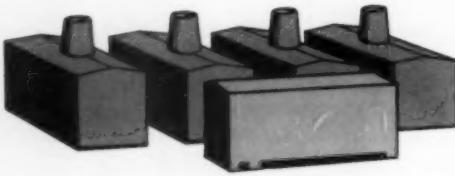
MU-20 2000 KW Diesel
MU-14DF 1000 KW Dual-fuel



MU-40 4000 KW Diesel
MU-28DF 2000 KW Dual-fuel



MU-60 6000 KW Diesel
MU-42DF 3000 KW Dual-fuel



MU-80 8000 KW Diesel
MU-56DF 4000 KW Dual-fuel



MU-100 10,000 KW Diesel
MU-70DF 5000 KW Dual-fuel



ELECTRO-MOTIVE DIVISION
GENERAL MOTORS La Grange, Illinois

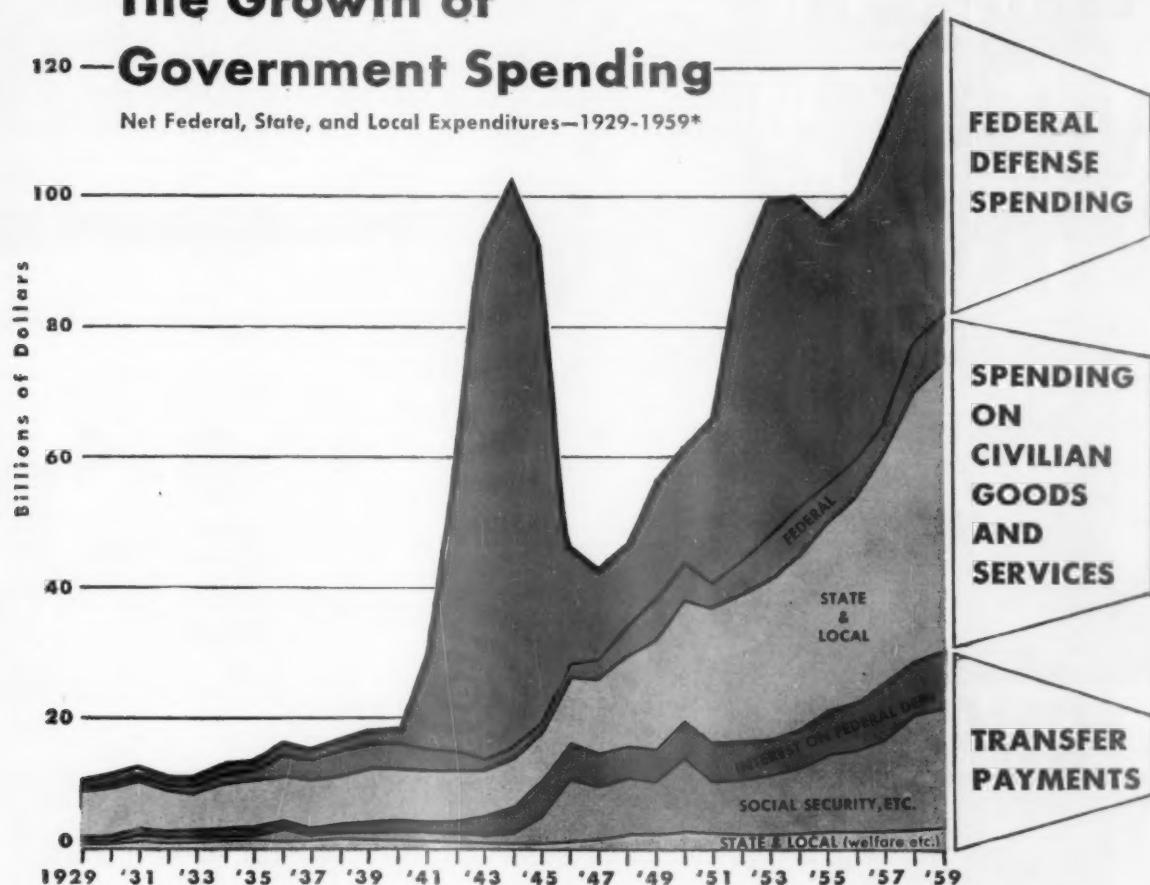
Sales-engineering offices: Chicago, New York, St. Louis, San Francisco

In Canada: General Motors Diesel Limited, London, Ontario

The Growth of

120—Government Spending

Net Federal, State, and Local Expenditures—1929-1959*



Data from *The Question of Government Spending* by F. M. Bator, BUSINESS WEEK Estimate

*does not include intergovernment payments

©BUSINESS WEEK

The Issue: Is It Good or Bad

The chart above maps the greatest single change in the U.S. economy during the past 30 years: the enormous rise in the role of government. Since 1929 while Gross National Product was increasing fourfold, total government spending increased tenfold.

Where government expenditures go from here is one of the 1960 Presidential election issues. The Republicans have charged the Democrats with being the party of "Schlesinger, Galbraith, and Bowles"—that is, the party of too much government. The Democrats counter by calling the Republicans the party of "Goldwater, Hoover, and Harding"—the party of too little government. This is, of course, the classic issue between the parties, the issue that gets caricatured as Socialism vs. Laissez-faire but is in fact a far more subtle and complex problem than that.

- Roots of the Issue—What's involved now is much more than a rehash of stale slogans and half-believed ideologies. In a period of cold war, slow domestic economic growth, and greater affluence than the country has ever known, the issue between the parties stems from:

- Different appraisals of national needs—and whether they can best be met by more public or more private activity.

- Different assessments of the effects of increased government spending—and higher taxes—on the economy, particularly on its rate of growth.

While the politicians have been struggling to get their views across to the voters on these complex questions, the economists have been struggling to get their ideas on government spending straight—for the benefit of the candi-

dates as well as the voters. That's the purpose behind two new books—one by an economist who's a member of the Harvard-MIT group whose expertise has been tapped by Sen. John F. Kennedy, the other by a Yale economics professor who is serving on Pres. Eisenhower's Council of Economic Advisers. The Cambridge man is Francis M. Bator of MIT; his book is *The Question of Government Spending: Public Needs and Private Wants* (Harper, \$3.75). The New Haven man is Henry C. Wallich; his book is *The Cost of Freedom: A New Look at Capitalism* (also Harper, also \$3.75).

- Clarifications—Dispassionately and honestly, both economists try to clarify the issues that the voters must face up to in deciding whether they are for or against giving government a still greater role in the economy. Neither

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...RUGGED TO SERVE THE CHEMICAL INDUSTRY



Rugged multiwalls and Raymond service benefit every phase of your operation. Check with a Raymond representative —his wide experience in multiwall packaging may save you money.



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ATLANTA • BALTIMORE • CHICAGO • KANSAS CITY • LOUISVILLE • NEW YORK
Maker of RUGGED MULTIWALL PACKAGING for Industry



F. M. BATOR, an MIT economist, defends the role of growing government spending.

man is a political cunctic; their social and political values come through. Yet both men know that political ideologies are only one of the elements that determine the course of government spending—that it is not easy to control is shown by the fact that, during the past eight years, government spending has increased with an anti-spending President in the White House.

I. The Public Side

Bator tackles the factual job of explaining why government spending has been the fastest growing sector of the economy since 1929. It's clear from his data that war—both hot and cold—must take the major share of the blame.

Federal defense spending has grown from \$700-million in 1929 to \$46-billion in 1959. In 1929, defense accounted for about 10% of government spending; now it amounts to almost 40% of total—that is, federal, state, and local—spending. War also accounts for the big shift from state and local to federal spending: In 1929, state and local spending accounted for three-fourths of total public outlays; today, the state and local share is only one-third of the total.

The direct costs of national defense are, of course, only part of the impact of war on government spending. Bator estimates that about 80% of the interest cost of the public debt results from war financing, and that about 25% of the government's transfer payments are made up of cash pensions to veterans. In fact, over three-fourths of the federal budget results from past wars and the threat of future wars. Of course, war has also been the major source of inflation—and thus accounts for more than half of the total rise



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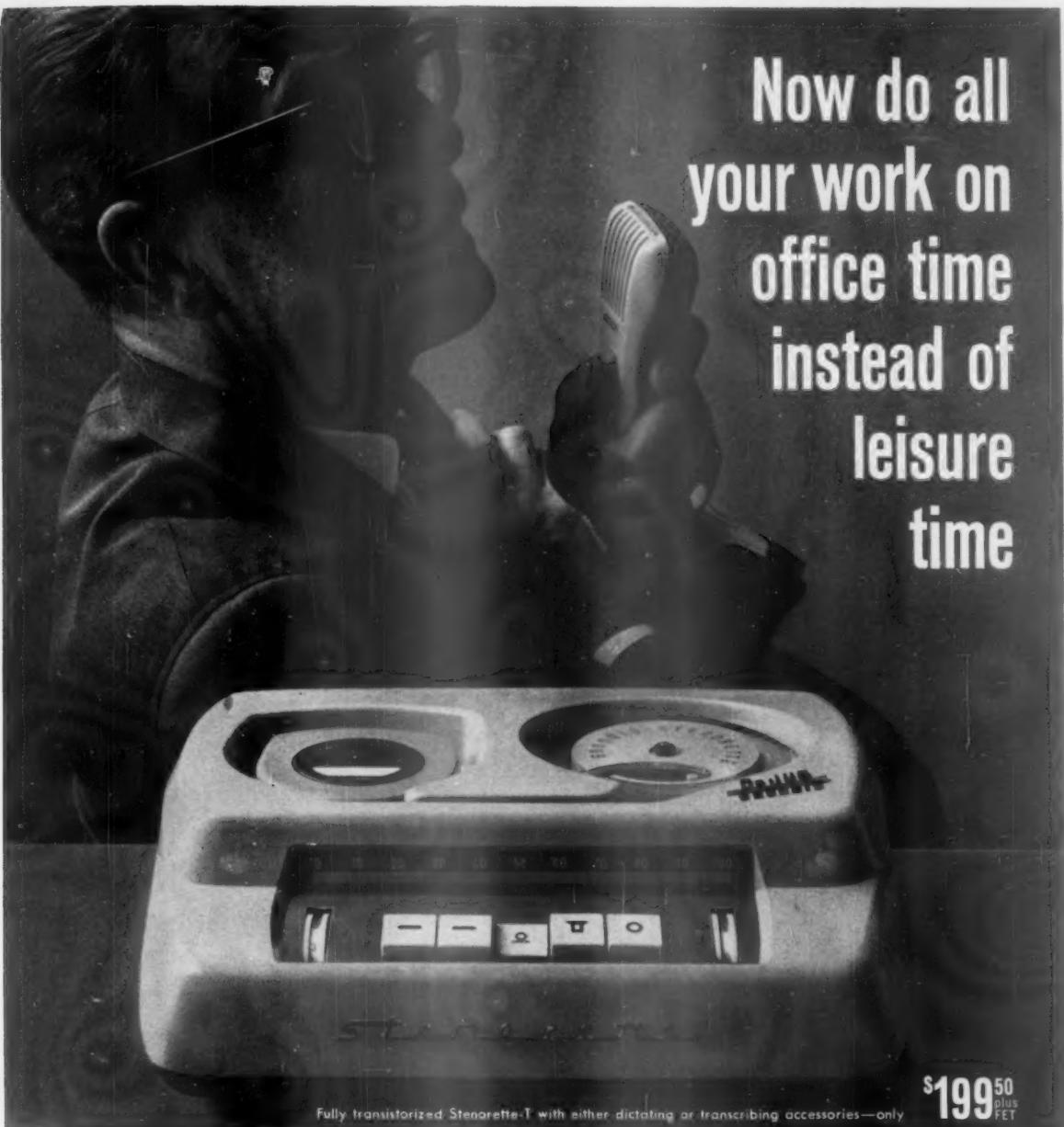
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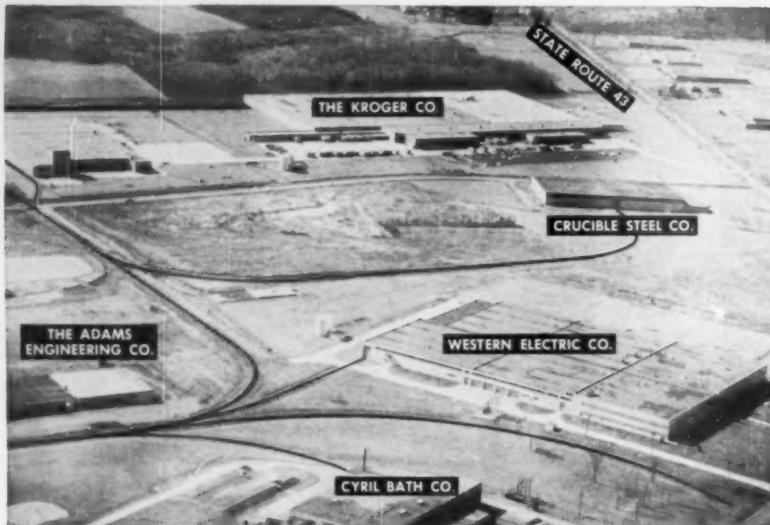
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H. C. WALLICH, of Yale. His book argues that we should pay the price of freedom.

in government spending since 1929, measured in current dollars.

• Transfer Payments—Next to defense spending, transfer payments have increased fastest. Transfer payments—such things as Social Security payments, unemployment compensation, railroad retirement benefits, by which the government redistributes income without actually using resources itself—grew from \$1.2-billion in 1929 to \$21.6-billion in 1959. Most of the rise in transfers came during the New Deal; it is these payments that form the bone of contention between proponents and opponents of the welfare state.

The part of government spending that grew least rapidly was the purchase of civilian goods and services. This sector increased from \$7.8-billion in 1929 to \$51.2-billion in 1959, with state and local spending accounting for most of it. In 1929, the state and local share was 92%; by 1959 it was still 86% of total government non-defense spending.

Bator says that the rapid increase in government spending has come about at the expense of private consumption. In 1959, consumption amounted to about 75% of GNP, while it hovers now around 65%.

The share of private investment in GNP has remained remarkably constant since 1929, hovering steadily around 15%. Bator concludes from this that the increase in government spending has not come at the expense of private investment—and has therefore not slowed the over-all growth of the economy, since the major direct force causing economic growth is investment. He argues that the important fact is that private investment in the postwar period has been strong enough to make capacity, output per capita, and output



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per man-hour grow faster than before 1929.

• **Investment**—Indeed, Bator goes a step further. He thinks that it is quite possible that the shift of spending from consumption to government has increased the growth potential of the economy. He contends that programs designed to improve health, sanitation, education, and technical training "may well have a considerable effect on productivity . . . and hence may be appropriately labeled as investment." He then argues that, since fully a third of government spending consists of "bona fide fixed investment," it might be self-defeating to shift public investment to private in the fields of transport, power, and research facilities.

As to the question whether the data suggest the U.S. has unduly stinted private consumption, Bator says there can be no objective answer "acceptable to all people of sound judgment."

II. The Private Side

Henry Wallach, for his part, concedes that a bigger role for government might produce a faster economic growth. But, he says, "forced draft methods in the economy are incompatible in peacetime with freedom." Therefore, we must be willing to forego the extra growth that forced draft methods can produce: This is "the cost of freedom."

Keeping a free society, he goes on, also means maintaining voluntary incentives and vigorous competition, which lead to some degree of inequality. This is another cost of freedom.

Wallich, who describes himself as a "modern conservative" midway between the University of Chicago's ultra-conservative Friedrich A. Hayek and Harvard's free-wheeling liberal, J. Kenneth Galbraith, gives his ideas a moral base. People who love freedom, he says, pay themselves a poor compliment when they explain their devotion on the ground that it is profitable: "I would rather believe that I hold my beliefs for their own sake and perhaps at some sacrifice in material terms. That, I believe, happens to be the truth of the matter."

• **Flexibility**—For Wallich, the gain in freedom is worth the cost—and he tries to describe the gain in more than vague philosophical terms. Thus, he says, many able people lost their jobs in government as a result of Sen. Joseph McCarthy's investigations, but many of them found a haven in the anonymous reaches of the free market. "In this way, persons who may not have been extreme admirers of free enterprise were led to discover one of its advantages."

By this, Wallich does not mean to suggest that McCarthyism was harmless; what he is saying is that, in a free economy, power is diffused and personal freedoms increased because no one in-

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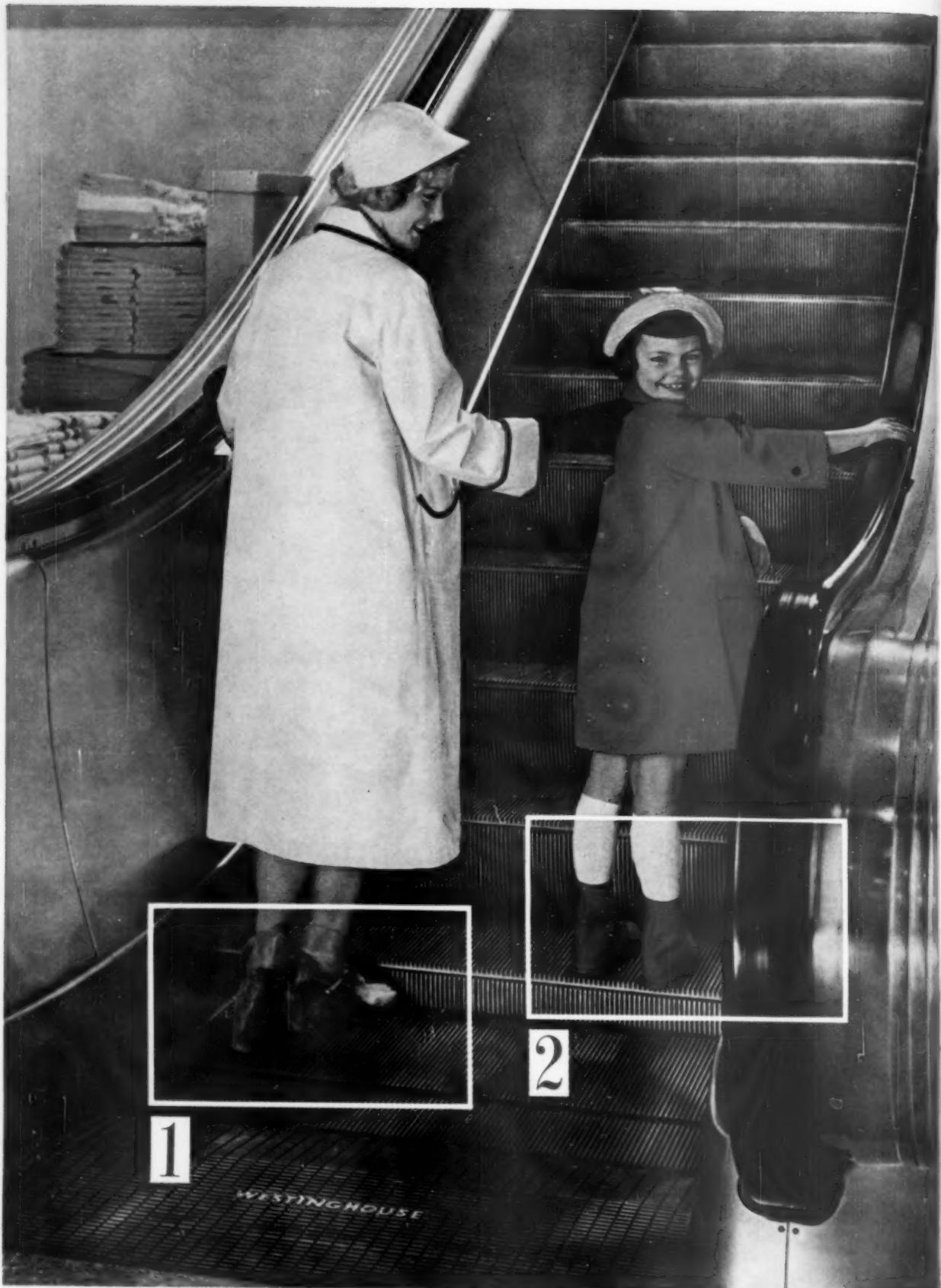
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For years, Westinghouse research has been developing ways to improve further the many safety features engineered into electric stairways. This continuing research has resulted in another new development—the Saf-T-Step—available exclusively on Westinghouse Electric Stairways. Safety-conscious managements of office buildings, department stores, banks, transportation terminals and others are responding enthusiastically to this new Saf-T-Step design. If you are planning to install electric stairways, have you considered this new development? Literature containing detailed information and specifications is available. Write: Electric Stairway Research and Planning Dept., Westinghouse Elevator Division, 150 Pacific Avenue, Jersey City 4, New Jersey.

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Westinghouse Electric Stairways with Saf-T-Step recently installed in the new department store of the Joseph Horne Company in East Hills Shopping Center, Pittsburgh, Pennsylvania.

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stitution can control a man's livelihood or prevent him from finding a refuge if one boss doesn't like him.

• Stress on "Modern"—Wallich, stressing the "modern" in modern conservative, would certainly accord a large role to government. He grants that ideological arguments cannot reverse such forces as the needs of defense and the shift of demand toward services, many of which are governmental in character. But he would limit the growth of government as much as possible, not shove it along. Skeptical about any rule or principle for deciding between public and private uses of resources, he weighs three possibilities:

Laissez Faire—the extreme conservative position. Wallich finds this "so much at odds with contemporary reality that it would be tantamount to joining a suicide club, even if its claim to providing a natural dividing line could be upheld."

Rule of thumb—that is, holding government spending under some benchmark. This is wrong, he holds, because in the long run there is nothing sacred about a budget ceiling.

An itemized list of legitimate economic activities of government. This would follow Lincoln's maxim that "government should do for the people only what the people could not do or could not do so well for themselves." But the trouble here, says Wallich, is that the rule doesn't really exclude anything inherently.

Nevertheless, Wallich likes the Lincolnian principle best, suggesting the qualification that "it would have to be shown that the people could do something only very imperfectly, and the government very substantially better, before the government should step in." That's part of the price Wallich thinks the nation should be willing to pay for a little extra freedom, a little margin of safety from the threat to freedom that he says is inevitable in too much government.

• **Russian Example**—Accepting slower growth as a cost of freedom worries Wallich. He recognizes that the example of Russian growth has provided a challenge to capitalism. But, somewhat surprisingly, he accepts the position taken by Galbraith in *The Affluent Society* that:

- We are already in an affluent society.
- You don't have to keep GNP growing fast in order to provide the nation with an adequate defense. We have ample economic resources already, Wallich suggests; the problem really lies in the use of the resources and not their total size.

Wallich partially accepts Galbraith's contention that the nation spends too much on trivia—tailfins instead of schools—but he thinks Galbraith exaggerates the size of the problem. Only 1-4% of consumer spending, he points out, is on durables, where most of the trivia is found, and the greater part of this goes for "essential parts of fairly essential equipment—what is left for ornaments and gadgets does not loom impressively large."

Wallich questions the argument that the public sector has really been growing too slowly—citing the figures on this fastest growing sector of the economy. Moreover, he adds, public spending tends to be inefficient, since there is no way of adjusting benefits to costs: Individuals are usually the best judges of what expenditures will best serve their personal interests.

III. The Prices of Freedom

Bator, like Wallich, makes important concessions to the viewpoint with which he disagrees: He concedes that government activity is frequently more inefficient than private enterprise. But he thinks the efficiency argument often makes no sense. If, for example, the people want a public health program, says Bator, "then to eliminate it because it is wastefully administered and because consumers would spend the money on wastelessly produced consumer goods is to follow the example of the man in Atlanta who wanted to go to New Orleans, but decided to take the train to New York because it was faster."

Also, like Wallich, Bator thinks that freedom has its cost. But he evaluates both freedom and its cost in different terms. For Bator the cost would appear to be the acceptance of a bigger role for government, which is a nuisance, which does prevent individuals from spending all of their income on what they might individually prefer, and which is often highly inefficient. But freedom is identified with the satisfaction of major social needs, such as health, education, national defense.

• **Efficiency**—The crux of the issue, he contends, is whether private profitability is or is not an efficient indicator of changing wants and scarcities. Where it is, says Bator, all is well, but where it is not, as where public interests are involved, the fact that market competition induces innovation or produces efficiencies will be of small comfort—because "profit guided innovation will be misdirected; markets will fix on the wrong new things."

Bator concludes that "it is hardly an overstatement that honest and detailed specification of the choices we face as a community on the use of our resources is one of the most important responsibilities of political leadership." Wallich would agree with that. So would Kennedy and Nixon, each in his own way. END

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In Research

Improved Fuel Cell Technology Is Goal Of Five-Year Program at Battelle

Expansion of fuel cell technology is the aim of a five-year program launched by the Battelle Memorial Institute, Columbus, Ohio.

The fuel cell—an electrochemical device to convert chemical energy directly into electricity—is similar in some respects to a storage battery or dry cell. Like a battery, the fuel cell produces electricity by a chemical reaction. Unlike a storage battery, however, the fuel cell continues to produce electricity as long as fuel is added. In this respect a fuel cell operates like an engine.

The fuel cell can convert fuel to electricity with much greater efficiency than other energy sources. Efficiencies of 75% have been recorded in laboratory models (BW—Oct. 17 '59, p33), and the potential efficiency of a fuel cell is rated at close to 90%. This compares to a top capability of 40% for the steam turbine; 35% for the diesel engine; and 25% for the spark-ignition engine.

The fuel cell has other advantages. Because it has no moving parts, it is comparatively easy to design and requires minimum maintenance. It operates silently and gives off no objectionable waste products.

Specialized uses of the fuel cell particularly in military applications should be possible in the light of current technology. Before general commercial applications become common, however, certain development problems will have to be solved.

In its R&D effort, which is being underwritten by some 25 chemical, petroleum, transportation, equipment, utility, engine and automotive companies, Battelle will aim, initially, at obtaining a better understanding of the materials that go into a fuel cell.

Work on Schizophrenia, Depression Aided by "Insanity"-Producing Drug

A drug that produces realistic "insanity" in human volunteers is helping researchers to develop new agents against schizophrenia and mental depression. The material, called JB-329 (Ditran) produces an eight-to-12-hour psychosis indistinguishable from true schizophrenia, according to Dr. John H. Biel of Lakeside Laboratories, Inc., Milwaukee.

Using it on volunteers at the Ypsilanti (Mich.) State Hospital researchers have discovered two chemicals that appear to counteract schizophrenia in true mental patients. One chemical, called cyclopentimine, has brought "substantial improvement" in 50% of all schizophrenic patients on whom it has been tried, and has allowed another 20% to be discharged from the hospital.

As a result of work with JB-329, an important observation about how psychosis-producing drugs go to work in the system has been noted, too. JB-329 seems to

MORE NEWS ABOUT RESEARCH ON:

• P. 109—Gains in the War on Cancer.

produce a psychosis by blocking the action of a nerve impulse-transmitting hormone, called acetylcholine.

Acetylcholine has long been known to play a role in that part of the human nervous system that affects such passive functions such as sleep, rest, and digestion. But, until now, its role in controlling emotions, mood, and behavior had never been clearly defined.

Synthesis of Insulin, Other Proteins

Is Near, Pittsburgh Chemist Predicts

The prediction that it will soon be possible to synthesize insulin and other important body proteins was made by Dr. Panayotis Katsoyannis, of the University of Pittsburgh, at the 138th national meeting of the American Chemical Society last week.

Tying together the 51 amino acid building blocks that constitute insulin as they occur in the natural hormone would mark a major medical advance; no protein has ever been completely synthesized in the laboratory. By building the insulin molecule from scratch, chemists would also probably uncover the key to how the various parts of a complicated hormone molecule work in the body.

Dr. Katsoyannis already has prepared two fragments of the insulin molecule in his laboratory. One contains 13 amino acid links, just as they appear in natural insulin. The second contains 10 other links. He is currently working on a third fragment containing six amino acids thought to form an important "loop" in the chemical structure of the molecule.

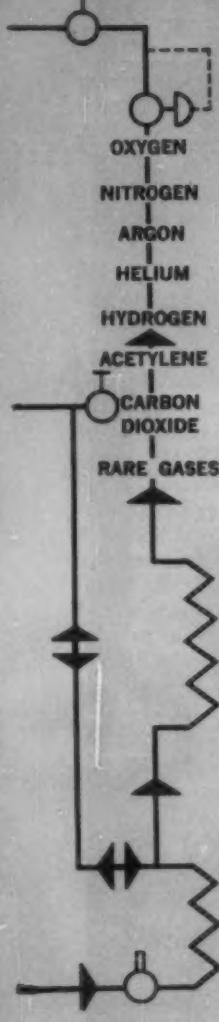
Herring to Get Atomic Tags in Plan To Trace Migrations, Boost Supply

Atomic radiation, already used in everything from drug to plant research, is being tried out for a new job—as an aid to biologists in learning more about the migratory habits of herring.

The herring will be released into the ocean off Alaska after they have been tagged by workers at the Hanford (Wash.) atomic plant of the Atomic Energy Commission with irradiated fish tags that will identify them when caught. Biologists want to trace the migrations of the herring in order to plan ways of materially increasing the U.S. supply of this valuable animal feed and oil source.

When a tagged fish is caught miles away and possibly years later, radiation detector instruments at the cannery will spot it and remove it from the processing line. Hanford scientists say the tags are being made "hot" enough so that the cannery counters cannot fail to make the identification when the fish slide past on the conveyor belt. But the tags don't have enough radiation exposure to harm the fish—even over an extended period of time.

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Gains in the War on Cancer

Early diagnosis can now mean saving the lives of half of all victims, experts feel. Gains reported in study of causes, treatment; a preventive vaccine is the ultimate hope.

So much progress has been made lately in research that it should be possible to save half of all cancer victims—provided diagnosis is early enough and medical treatment starts without delay. This compares with the rule of thumb only a few years ago that no better than one out of three cancer victims could be saved.

That's the consensus of a blue-ribbon panel of the world's foremost cancer experts, attending last week's Fourth National Cancer Conference in Minneapolis. About 2,000 scientists registered at the convention to hear reports on significant accomplishments in cancer control that have developed since the last national conference met in Detroit, in 1956.

• **Adding Up**—Cancer research is particularly difficult because it involves the study of so many different forms of the disease masquerading under a single name. Yet gains have been scored in almost all areas of study. Progress has been most marked recently in the study of the cause of cancers (cancer etiology) and the treatment of cancers with chemical drugs (chemotherapy).

In lung surgery, a new method of implanting radioisotopes near the site of the removed cancer looks especially promising: the radioisotopes serve to destroy any stray cancer cells not removed in the operation. Short-term results are encouraging, though scientists are reluctant to predict how greatly the lung cancer cure rate will be increased as a result. They say they need to study the method longer.

• **Lung Cancers**—Statistical studies of lung cancer patients show, curiously, that although fewer women than men contract lung cancer, a far greater percentage of women are helped by surgery. The same thing seems to be true of cancers of the thyroid gland, tongue, salivary gland, "black skin" cancer (melanoma), and cancer of the lymph gland (Hodgkin's disease).

The National Cancer Institute, acting on the hunch that the key to the causes of some types of cancer may be buried in statistics, now has data on 212,638 cancer victims from which to try to ferret out possible clues.

• **Skin Cancers**—Statistical evidence regarding cases of skin cancer has already suggested that overexposure to solar radiation is the chief cause of this type of the disease, according to Dr. Milton T. Edgerton, associate professor of surgery at Johns Hopkins Hospital,

Baltimore. Skin cancer victims almost invariably are sandy-haired, light-skinned, and freckle-faced. Negroes rarely get the disease, even when exposed to sunlight in huge quantities.

• **Thyroid Cancers**—Some 80% of all children who develop thyroid cancer similarly have something in common. In this case, from the statistics, it looks as if continued exposure to X-rays—in the treatment of some ailment of the head, neck, or chest—may be the trigger for development of a thyroid cancer.

A possible link between thyroid cancer and the use of X-ray on children was suspected almost a decade ago. The new statistical evidence merely pins the connection down more closely. What has recently caught the attention of research scientists is the possibility that the figures may link cancer of the thyroid and the amount of radioactive iodine in a child's milk supply, too. Radioactive iodine, taken internally, has been shown to make a bee-line for the thyroid gland. And the amount of radioactive iodine in milk is known to have picked up in recent years as a result of atomic testing.

If the figures show a three-way coincidence between treatment with X-ray, consumption of a large amount of radioactive iodine in milk, and the incidence of thyroid cancer, researchers will be pretty sure they're on the track of the cause of this form of the disease. They are working to prove this coincidence now.

• **Search for Cures**—In trying to substantiate the idea that some cancers are contagious and are caused by virus invasion, researchers also have turned up significant new evidence. Experiments on chickens at the Agriculture Dept.'s Regional Poultry Laboratory at East Lansing, Mich., have proved that rous sarcoma, a form of virus-caused cancer, is contagious.

How the virus is transferred from fowl to fowl is not known. But a few facts have been established. It is known that chickens made to breath high-virus doses in aerosol form do not develop tumors. When the cancer-causing virus is artificially-instilled in a chicken's nasal passages, however, it has a 50-50 chance of developing a cancerous tumor. No tumors result when the virus is placed under the chicken's tongue or when it is placed on non-feathered areas of intact skin. When virus is allowed to enter the chicken's body through a

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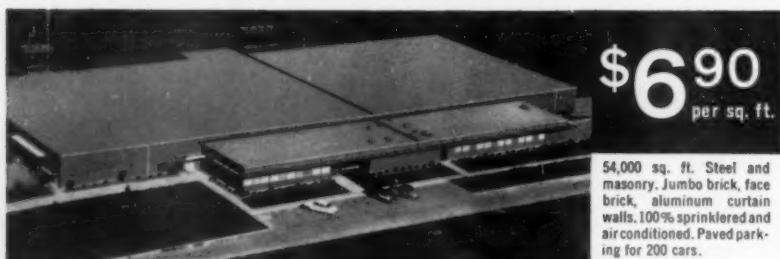
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feather follicle, local as well as internal tumors are apt to result.

Under the microscope, rous sarcoma tumors look the same whether they are produced artificially or by direct contact of healthy and unhealthy birds. Applying this sort of experimental data to human cancers that are suspected of being virus-caused could be a material aid in the drive to determine the cause of everything from lung to stomach cancers.

• **Use of Bone Marrow**—Researchers are increasingly interested in the way healthy bone marrow extract, when injected into cancerous patients, appears to reverse the course of some forms of the disease, too. The theory behind the injection of young bone marrow is that some forms of cancer are a direct result of the failure of glands to function properly. A hormone in the marrow, it is suggested, makes up for this deficiency—particularly as it applies to the function of the pituitary gland at the base of the brain.

Further research is needed to establish the validity of this reasoning. But animal experiments, based on it, have already indicated that something in bone marrow must be a direct factor in growth. Dr. Paul Rosenstreich of Rio de Janeiro maintains that in three cases in which he has tried the idea, malignant tumors disappeared after injection of the patients with young bone marrow extracts.

• **Cancer Vaccine**—Steady progress is also being made toward developing a vaccine to protect people against cancer. So far the vaccine idea has only been tried on volunteers who are deemed to have "incurable" cancers. In each case, the vaccine has been tailor-made by taking cancer cells from the patient himself, homogenizing them, and then injecting them back in a massive dose—thus taking advantage of the body's natural resistance to disease (BW—Sep. 5 '59, p65).

Results reported by the Roswell Park Memorial Institute team working along this line are nothing short of spectacular, however. One year after vaccination, 14 of the 35 "terminal" cancer patients—those in the final stages of the disease—treated in this manner are still alive. Of 35 similar patients treated with radiation, only eight still survive. And of 24 treated with anticancer drugs, only four are living. In all cases, the volunteers were women with various forms of pelvic cancer.

The vaccine now being tested couldn't be used to protect someone who has never had a malignant tumor. But further work could well result in the discovery of a common anticancer substance in cancer victims that might, someday, make such vaccination possible. Researchers are keeping an eye on such a possibility. END



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FIRST-HAND information on management practices in Ireland is gathered by John Shallenberger (right) from Colin Barnes, Glen Abbey Textiles, as part of world survey.

Intuitive Management Is Still the Thing

For at least a year, top management specialists throughout the world have been talking about something called the Shallenberger Report. Last week, A. M. Lederer, the U.S. consultant now president of the International Committee for Scientific Management, known as CIOS (BW-Mar. 12 '60, p72), distributed the document to its sponsors. Now they can learn from a professional manager what management in 60 different countries looks like. Whether the controversial paper ever receives general distribution is still in question.

This is management's own view of where it stands and where it's going. It's a detailed study of the spread of modern management practice, a commentary on each country's managers, and a comparison of the efforts being pursued by government, business, education, management associations, consultants, productivity centers, and others to improve the quality of each nation's managerial leadership.

• **Scarcity of Good Managers**—What some have long suspected is now admitted: A good manager is hard to find. According to John Shallenberger (picture), only 12% of the world's managers really know what they're doing (in the management sense, that is). The rest have failed to benefit from the application of a scientific approach to the art of management. And

most remain blissfully unaware or unconvinced of its virtues.

For the last two years, Shallenberger has been traveling through 81 countries on a research assignment sponsored by CIOS and its 29 members, substantially supported by Ford Foundation funds. He claims to have interviewed 7,500 persons during the course of his investigations, almost 5,000 of them managers. It is their intimate knowledge of management in their own countries that Shallenberger has brought together in a series of 60 factual reports on as many individual nations.

• **Sampling of Observations**—This material defies summarization, and Shallenberger has not attempted the task. Some notion of the range and character of the information gathered together here for the first time, however, may be gleaned from these observations in a random selection of country reports:

Australia. With 400,000 immigrants during the last four years, new names of German, Italian, Czech, and other origin will appear in another generation high on company organization charts. Managers today are taking their choice from the latest and best in U.S. and English management skills. Management consulting is well accepted both in business and in some sectors of state and federal government.

Austria. Organization manuals and

clear definitions of authorities are virtually unknown. Planning for the replacement of present managers seems stalemated. Though management education has tended to emphasize bookkeeping and the preparation of financial statements, cost accounting is still a great need. One company, for example, after filling a \$4-million order, couldn't determine whether it had made or lost money on the job.

Belgium. Long exposure to foreign management methods, particularly during the food and rehabilitation program led by Herbert Hoover following World War I, plus early experimentation by its own managers, have placed the country among the leaders in the management movement. Its Comité National Belge de l'Organisation Scientifique, dating from 1926, is one of the first independent, privately supported management associations.

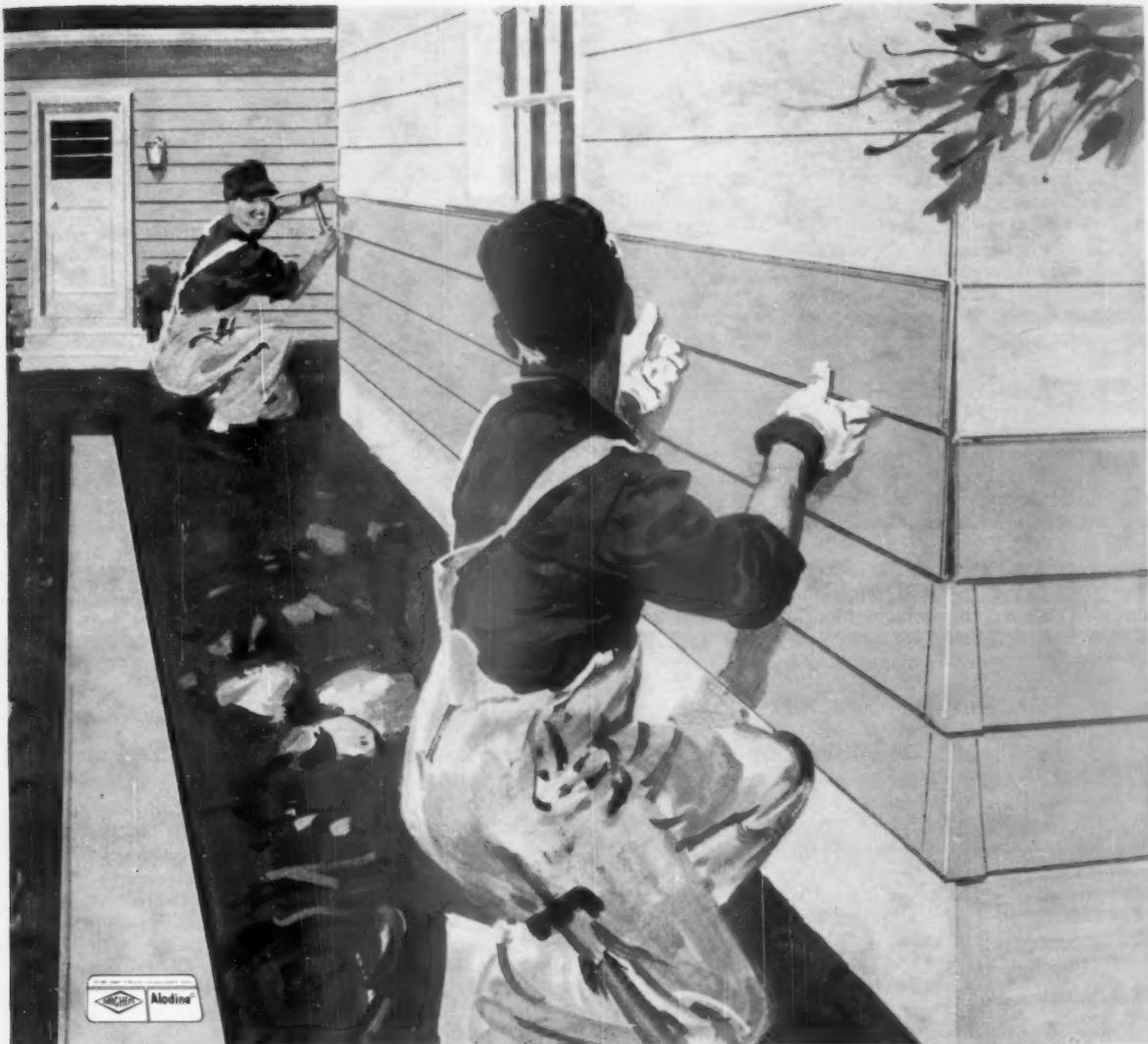
Congo. Vigorous attempts to raise the skills of native workers have been discouraging. White managers have little hope for developing more than an occasional gifted Congolese to management levels. But Belgian and Congo-owned companies make wide use of scientific production management, and at least one mining company has gone in for operations research.

Cuba. There's been a tendency for management programs to be received with initial enthusiasm, which dies out after a short time. Since the change in government in 1959, management courses in the University of Havana have reopened, some using the case method, many meeting in the evening when businessmen are able to serve as teachers.

Denmark. There are an estimated 200 full-time consultants; some managers feel there should be still more. While scientific management has reached an advanced stage in some companies, many of the older generation resist change and rank intuition ahead of knowledge in successful managing.

Dominican Republic. Isolated from competition, protected by commercial oligopoly and political dictatorship, business managers have felt little pressure for personal improvement. But public administration has reached remarkably high levels partly because of the rotational development training provided by frequent cabinet shake-ups and the constant competition for financially rewarding positions in government. There are no management associations for the improvement of managerial skill. In one department of the country's one university, a single course in business administration is offered by a high government official.

German Federal Republic (West Germany). It suffers a dearth of quali-



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...another common illusion is the belief of a nation that its people are especially individualistic, or that its managers are exceptional improvisors . . .

(STORY on page 112)

fied middle managers. All managers feel overburdened; some feel they are carrying the whole load, but can't find capable men to accept responsibility. Management associations of all sizes and types have proliferated. Great emphasis in management training is placed on psychology and the behavioral sciences.

India. Management research seems wholly lacking and management consulting is used only by a few more progressive companies. Techniques have been widely taught to Indian managers, but the teaching of "know-why" as against "know-how" has only just begun.

Israel. Management talent is spread thin and some is being recruited abroad. This raises the problem, though, of superimposing outsiders on the loyal existing staff. Some old-time managers are trying to draw from management's "new bag of tricks," with the occasional result that a plant will become a mish-mash of new ideas not fully understood.

Portugal. Remarkably few managers here are aware of the concept of scientific management. The biggest single force for improved management seems to have been the aggressive sales efforts of foreign business machine manufacturers. But the successful use of modern office machines has led some managers to believe that good financial procedures and controls are the beginning and the end of scientific management.

United States. The world's largest management associations, the most advanced schools of business administration, and the largest variety of courses and seminars for practicing managers have been developed in the U.S. But most U.S. managers, like the majority everywhere, prefer to manage by intuition and have yet to accept, learn, or apply management fundamentals in their work. The largest volume of current writing on management is American, but some of the texts the U.S. produces have proved far more acceptable abroad than in the country of their origin. There is no productivity organization joining employers, employees, and government of the type so much in evidence abroad. Foundations in the U.S. do not normally conduct management research and training, but some contribute financially to it. The Ford Foundation has become the world's leading private contributor to management improvement programs.

Author/Executive—Occasional economists, visiting professors, and junket-

ing congressmen have brought back pieces of the picture Shallenberger presents. But his report is the first that is relatively complete, the work of a man trained and experienced in management, sponsored by management organizations and supported by private funds.

The author is a business executive with extensive background in management consulting and research. He is now president of the Connellsburg Corp., Connellsburg, Pa. (machinery makers), the eighth presidency he's assumed in the course of his consulting engagements. He has also been associated in the past with Stanford Research Institute and the Centre d'Etudes Industrielles in Geneva, Switzerland. His academic background includes engineering at Stanford University and industrial management at the Harvard Business School.

Shallenberger has kept separate his personal impressions and conclusions from the official body of his report. But his own views of what he has seen and heard are essential to any understanding of the report if the forest is not to be missed for all the trees.

Shallenberger estimates that there are about 85-million people throughout the entire world who manage some sort of group activity, industrial or otherwise. Of these, perhaps some 36-million are citizens of CIOS' 29 member nations. But not more than 6-million of these, roughly 16%, participate in the management movement. He doubts, therefore, that even 10-million of the world's managers have accepted and applied scientific management to any large degree.

Nonetheless, Shallenberger concludes from his on-the-spot research that managers are now becoming converted to modern management at an increasingly rapid rate. And the rate is higher in those countries that already are furthest advanced, which means an increasing gap is developing between the haves and have-nots in management knowledge.

Common Illusions—Every country with an admitted need for better management, Shallenberger reports, explains its slow development of professional managers by citing the predominance of its small companies, owner-managers who founded their own companies or inherited their jobs, and subordinates held to be incapable of handling responsibilities. This accounts for the illusion held by many countries

that such conditions are unique, and that U.S. companies on the contrary are all big, prosperous, and well-managed.

Another common illusion is the belief of a nation that its people are especially individualistic; or that its managers are exceptional improvisors, who successfully solve their problems on the basis of experience and judgment. But Shallenberger insists that there are more similarities than differences among managers of all the countries he studied. Despite the wide variation in cultural factors, managerial behavior shows overwhelming likenesses, he suggests, because of the similar needs and problems arising from organized business.

• The Major Needs—Seeing so many similarities among the managers of the world, Shallenberger finds it possible to classify the needs of the world's managers under three headings: human relations, decision making, and division of authority. Of these, he believes the second difficulty will be the one most readily overcome; simply provide the most intuitive manager with enough reliable facts and he will be happy to stop relying on hunches. But the third, division of authority, Shallenberger thinks will be a weakness for decades; managers simply won't trust their subordinates. What's more, he suspects that managers want to keep "the fun of the game" to themselves—why share prestige and authority with others?

It is, in fact, the fear that scientific management will mean reduced power for the manager that Shallenberger sees as one of the crucial reasons why modern management methods have been so slowly accepted by managers everywhere. Why should a manager making a good profit change his ways on the mere promise that he will win higher profits or achieve other goals?

While Shallenberger's evidence shows that most managers have remained indifferent to the teachings of scientific management, he also reports that some countries, even rather small ones, have several hundred competing management associations of one kind or another. Over-all, in the 60 countries surveyed, Shallenberger found 2,300.

• Long-Range Hope—As a result of his extensive study, Shallenberger makes several high-level recommendations:

- Codification of ethical standards for all managers.
- Establishment of a "Hippocratic oath," to catch up the "deep-rooted desire of most managers truly to serve all mankind."

This, he believes, will help managers to express their one almost universal strength, "high moral purpose." Too many have been too shy, Shallenberger says, to admit nobler aspirations. **END**



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Conflict-of-Interest Crackdown

Although most companies say conflicting interests is no problem, many nevertheless are restating their policies or revising procedures to make sure it doesn't occur.

The supplier tie-ins that cost Chrysler Pres. William C. Newberg his job (BW-Jul. 30 '60, p30) are having repercussions far beyond Detroit.

"It couldn't happen here" is the typical reaction from top managements of other companies. But some are taking steps to make absolutely sure. And many would agree with Daniel F. Gerber, president of Gerber Products Co., who wrote in reply to a survey just conducted by the United Shareholders of America, "I believe that the affair . . . has had a very good effect on a lot of companies in making them a little more alert to the possibility of any remotely similar situations that might exist in their own organizations."

• **Hot Subject**—The USA survey provides plenty of evidence of management alertness. In fact, the volume of replies alone demonstrates that conflict of interest is a hot subject in executive suites today.

Benjamin A. Javits, the New York attorney who runs the 800-member stockholder group, sent a questionnaire about purchasing and conflict-of-interest policies to all of the some 1,500 companies listed on the New York and American Stock Exchanges. It went into the mail Aug. 26. Within three weeks he had more than 500 answers, most of them from presidents or board chairmen.

All the executives assured Javits that they had no conflict-of-interest problems in their companies. But a number of them noted that they were rechecking anyway. And some said they were revising or restating their policies.

• **Varied Policies**—Under Securities & Exchange Commission regulations, if officers and directors have substantial interests in organizations doing business with their companies, these facts must be reported in proxy statements. Beyond that, company policies and practices vary widely.

Some ban any such interests except for minor stock investments in publicly owned corporations. ACF Industries, Inc., for example, prohibits "any employees either directly or through family connections from having a financial or other interest in companies with which ACF does business."

Montgomery Ward & Co., Inc., bars "all officers, managers and buyers who have a responsibility for our purchases" from supplier interests.

Others, instead of flatly barring all

potentially conflicting interests, require that they be reported. They have to be eliminated only if higher executives feel they might prejudice the company's interests.

• **Disclosure Requirements**—And there's plenty of variation in the levels to which such policies extend and in the kind of interests that are forbidden or must be reported. Columbia Gas System, Inc., insists on "complete disclosures from all employees of any financial interest in any company or enterprise that might result in a conflict between their personal interests and their obligations to Columbia." Vanadium-Alloys Steel Co. has a disclosure requirement for officers, directors, and department heads; Douglas Aircraft Co., Inc., for supervisory employees; Westinghouse Electric Corp., for all employees. At Carrier Corp. every employee must report any large interest in publicly owned customers or suppliers; interests in privately owned customers and suppliers are banned.

Most companies rely on more informal procedures. Plenty of presidents, particularly in smaller companies, simply say they know their executives well enough to keep up with what they are doing.

• **Revised Procedures**—Since the Chrysler affair, however, there have been some second thoughts about the need for formal policies and procedures.

Some have felt the need to spell out policies for the first time. A. D. Dennis, secretary of Allis-Chalmers Mfg. Co. reported his company has issued a statement of policy. Executives, managers, and employees involved in purchasing were told they could not own interests in a supplier, apart from listed stocks "acquired as part of a normal investment program."

Others like May Department Stores Co., are reasserting their existing policies. And some are wondering whether policies—and enforcement procedures—need tightening.

The board of American Chicle Co. is considering "a comprehensive review" of policies and practices. Allied Chemical Corp. is studying its "existing procedures." Cutter Laboratories is weighing "a formal procedure of regular review"; so is Consolidated Natural Gas Co.

• **Questionnaires**—Ohio Edison Co. Pres. Walter H. Sammis has written each of the company's officers, general

office department heads, division managers, and division department heads, asking them about their interests in any corporation doing business with the company. H. L. Green Co., Inc., is now collecting such information from "all key employees." Dorr-Oliver, Inc., is preparing a questionnaire for "directors, officers, and employees." Allied Stores Corp. and American Radiator & Standard Corp. also have extended their reporting requirements to executives below the officer level.

Cerro de Pasco Corp. is questioning "all personnel whose positions are such as to give rise to transactions with other business entities." Pres. Robert P. Koenig reported that "we have not and are not limiting ourselves to purchasing in our inquiry procedure."

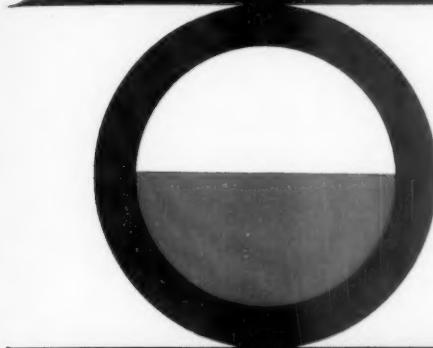
In General Foods Corp., Chmn. Charles G. Mortimer reported at the last annual meeting, officers, directors, and "a number of other selected executives have signed statements that they have held no material interest in any transaction with suppliers of goods or services."

• **Company Declarations**—A number of 1960 annual reports will contain declarations that the company "does its purchasing through a fully controlled and carefully checked system of competitive bidding wherever and whenever possible." This step was suggested by Javits, who (in preparation for a United Shareholders membership drive) wanted to show that a stockholder organization could influence management policy.

He thinks that point is proved by the fact that some 40% of the executives who replied said they "would be willing" to make such a statement in their annual reports or would consider it. A dozen or so definitely promised to publish the statement.

A number of chief executives, however, were strongly opposed to Javits' suggestion. Some said competitive bidding wasn't applicable to their businesses; others warned that it was "no panacea." Many felt, with Wisconsin Electric Power Co. Pres. L. F. Sybold, that "any statement which in effect merely says that the officers are doing the job they were hired to do would be self-serving."

Many executives doubted the value—internal or external—of any sort of procedure embodying "loyalty oaths." Lyle L. Shepard, president of Columbian Carbon Co., believes "our cost controls and the loyalty of our employees are such that to ask for a detailed statement would create a morale situation that would be detrimental to our shareholders for a long time to come." END



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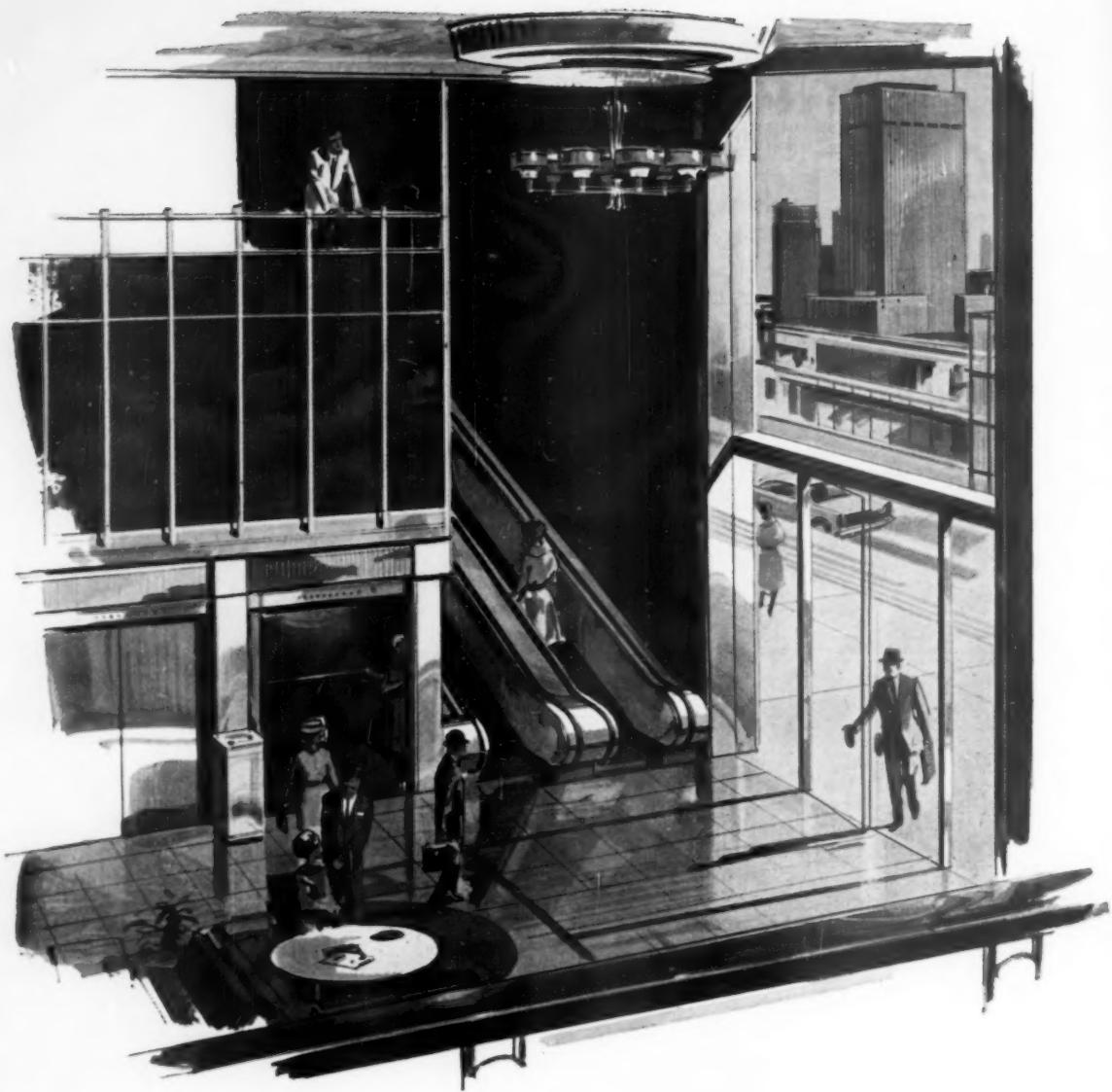
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In Finance

Sheraton Weighs Change in Form To Real Estate Investment Trust

Always on the lookout for ways to reduce its corporate tax bill, Sheraton Corp. of America announced it is studying the possibility of changing its present corporate form to that of a real estate investment trust. Under a law just passed by Congress, real estate investment trusts, like mutual funds, are exempt from corporate taxes if they distribute 90% or more of their income to shareowners (BW—Sep. 17/60, p178).

Pres. Ernest Henderson told stockholders at Sheraton's annual meeting that such a change would mean the company no longer would have to follow its traditional policy of holding down reported earnings and keeping payouts to shareholders at a minimum. Henderson said the change would at least double both earnings and dividends.

Sheraton's financial policy has been to take unusually heavy depreciation write-offs, which increase cash flow but reduce reported earnings. Much of this cash flow is then plowed back into the company to improve earning power. But, up to now at least, Sheraton's chief aim has been to increase net asset value rather than net income.

New SBIC Trend Is Public Stock Sales As Quickest Route to Capital Expansion

The new trend in the small business investment company field is to publicly held firms. In the past few weeks, four companies founded under the Small Business Investment Act made public offerings: Narragansett Capital Corp. sold 500,000 shares at 11; Venture Capital Corp. of America issued 325,000 shares at 7½; Capital Investment, Inc., brought out 60,000 shares at 11; and Boston Capital Corp. offered 1.5-million shares at 15. Most offerings were oversubscribed, but the market's plunge this week hit them hard.

Other companies, including Avionics Investing Corp., First Connecticut Small Business Investment Co., and Virginia Capital Corp. are planning to sell shares to the public.

Originally, most SBICs were organized on a minimum basis of \$150,000 capitalization, matched by \$150,000 of government funds. Ownership was usually private, often by banks, which have accounted for about a third of funds invested in the program so far. But as the funds are limited to lending a maximum of 20% of their capital to one borrower, those with minimum capitalization could lend only \$60,000. Most of the firms are not seasoned enough to obtain additional funds by borrowing, so stock sales are fast becoming the route to capital expansion and needed funds.

As of Sept. 1, \$49.5-million had been raised by SBIC public offerings. But total offerings in progress or in

MORE NEWS ABOUT FINANCE ON:

- P. 122—Wachovia Bank & Trust expands furiously because of local, regional, and national influences.

registration at the same date amounted to \$69.7-million gross, more than the entire total outstanding.

Analysts Fear Dividend Total Figures May Conceal Individual Weaknesses

Investment analysts are wary of weaknesses in corporate dividends that may have been masked in over-all totals. The figures have held up so far, with cash dividend payments in the first seven months this year amounting to \$7.5-billion, compared with \$7.1-billion in the same 1959 period. Full-year totals are expected to match the record \$12.7-billion paid out last year, but probably not surpass it.

Two critical periods lie ahead. One is the final quarter, which is not expected to show a rise in either regular dividend rates or in traditional yearend extras, especially in cyclical industries. The other is the first half of 1961, when regular dividend rates may feel the pressure of disappointing earnings.

Most companies that are squeezed by shrinking profit margins are expected to cut back in other areas and maintain dividend rates for a while at least. But if there is no pickup in business—and in profits—payouts in 1961 may turn down. Says Kenneth Ward of Hayden, Stone & Co.: "Companies seem to have enough fat on their bones to pay their regular dividends the rest of this year. It's 1961 I'm worried about."

Nation's Bankers Generally Optimistic, Though Some See Signs of a Slowdown

Optimism, and an undercurrent of uneasiness.

This was the majority view aired this week at the American Bankers Assn.'s annual meeting in New York. The nation's bankers tend to pooh-pooh talk that the U.S. is heading into a serious recession. They report that loan demand is fairly strong all around the country, although some of the bigger banks say that the seasonal upturn is not yet making itself felt.

Still, here and there, there were signs of uneasiness. John Remington, president of Lincoln Rochester Trust Co., forecast a moderate decline in business later this year and into 1961. Some Western bankers also report that loan demand lately isn't keeping up with the pace set earlier; some also report a loss in savings deposits, which might lead to a slowdown in their loan-making.

Carl A. Bimson, president of Valley National Bank of Phoenix and new ABA president, is another who is optimistic, yet feels business is going through a readjustment. Bimson says business is good but he adds "the effervescence has lately gone out of Arizona"—a prime growth area.

Small-City Bank With an Urge to

Winston-Salem's Wachovia Bank & Trust has built up a regional status by expanding fast in branches and services.

Bankers from all over the country gathered in New York this week to air mutual problems—such things as the trend of business loans, tax reform, bank credit plans. All these stirred controversy at the American Bankers Assn. annual meeting, but few things raised tempers as much as the battle between branch banks and independent unit banks.

It has been a perennial debate among bankers, but fresh ammunition has been added since New York City's banks—taking advantage of the state's new law permitting broader branching—have made plans to invade the suburbs. All over the country, independent bankers who have both tradition and the preponderance of law on their side see their existence threatened. For despite these barriers, branch banking is moving forward, continuously and relentlessly, spurred by competition and economics.

Branch banking has been growing because of the dispersal of business across the nation, and the mass movement of consumers to the suburbs. The bigger banks are losing customers to smaller banks and to other financial institutions. So they are branching out, with new services and automated operations that require the knowhow and funds that only big banks have or can afford.

• **North Carolina Leader**—The branch banking battle is not limited to the big states. One of the leaders in the fight is North Carolina's Wachovia Bank & Trust Co., whose headquarters are in the small (population: 110,000) but busy (tobacco and textiles) town of Winston-Salem. Because of North Carolina's liberal branch banking laws, Wachovia has been expanding in all directions, and rates as one of the fastest-stepping banks in the nation.

Last week, Wachovia's president, John F. Watlington, Jr. (cover and picture) revealed plans to merge with the Commercial National Bank of Kinston—Wachovia's eighth merger since 1954. Earlier this year, Watlington concluded Wachovia's biggest merger to date, with the Guaranty Bank & Trust Co. of Greenville. In all, Wachovia now operates 67 branches in 25 cities throughout North Carolina. It now can also pride itself on achieving its goal of becoming a statewide banking institution.

The Kinston bank merger will add three more offices, including one at Sea Level, N.C., population about 500. As this suggests, Wachovia does not limit its sights to the state's bigger population centers. But then North Carolina has no really big, sprawling cities: Char-

lotte, the state's largest, has a population just over 200,000. Yet, Wachovia is the Southeast's biggest bank in terms of assets (\$624-million), and it ranks 41st in deposits among the nation's 14,000-odd commercial banks.

• **Behind Its Push**—Wachovia's physical expansion—and its aggressive drive to initiate new banking services—involve factors peculiar to North Carolina. At the same time, they illustrate forces affecting banks everywhere.

• Wachovia's former president, Robert M. Hanes, breathed an expansionist spirit into the bank during the 1930s and 1940s. His goal was to free Southern industry from its almost complete dependence on Northern capital.

• North Carolina's banking law allows branch banking, but Wachovia's business and political connections were an important factor in its growth. Branch banking, moreover, had a *raison d'être* in the state's widely dispersed industry and the expansion of its urban centers.

• Wachovia also typifies the emergence of the strong regional bank, which is displacing, to some extent, the influence of and the dependence on New York and Chicago banks. Today, the regional bank offers a wide range of services to local businesses, aggressively fights for customer accounts, and competes successfully for the business of big national corporations. Wachovia, for example, which can now lend to any single corporate customer some \$4.5-million, numbers 35 of the biggest 46 industrial corporations among its customers.

The bank has also opened recently an international department, which provides banking service chiefly for Carolina's export business—primarily tobacco and cotton. Watlington grants that Wachovia won't be offering any threat to New York domination of foreign bank business for some time, but the bank's entry into the field is an indication of its intention to get involved in every conceivable aspect of banking.

I. Quiet Revolution

Wachovia's expansion, and its boast of being a complete bank, form part of the quiet revolution in banking that has been going on since the 1930s.

GUIDING HAND in Wachovia's expansion, Pres. John F. Watlington, Jr. (standing), here meeting with top officers, cites "salesmindedness" as key to bank's growth.

The basic change has been a shift in the balance of banking power. While New York is in no danger of losing its dominant place in banking, its deposit growth has not kept pace with its high level of loans. Bank deposits have grown faster in banks around the country than in New York, so that New York's share of deposits has fallen to about 15% of the total from 30% in 1940.

This shifting balance of power, and the new competitive alignments resulting from it, have forced many big banks away from wholesale banking—catering to select corporate clients—to extensive retail or department store banking operations, which reach out to a mass market. In the old days, banks never volunteered services even to their biggest customers, and when services were



ge to Grow

demanded, the banks performed them grudgingly. They were slow to move even when nonbanking financial institutions began offering services to both business and consumers.

Now the big banks are catching up. They are not only offering all sorts of services to corporations and consumers, but they are actively going out to bring their services to their customers.

National trends, alone, however, don't completely explain the rising prominence of a specific bank. Wachovia has moved ahead because of its place in North Carolina and the ideas motivating the men who run the bank.

II. Growing With the State

"There has always been in Wachovia," explains Watlington, "a dynamic

drive to grow—not just for growth's sake, but to serve our region. And by serving, we become important."

The man who really put this spirit into the bank was Robert Hanes, president from 1931 to 1956. Hanes, a member of the prominent Hanes textile family, was the dominant figure in North Carolina banking for many years. He also was active in national banking circles, serving for a time as president of the ABA.

Hanes transformed Wachovia from a strictly local institution into a big modern bank. More important, he set the goals that still guide the bank.

- **Goal for State**—One of his chief aims was to build Wachovia into a statewide banking institution. Given its close connections with many big companies, Wachovia might have settled back to a comfortable—and profitable—role banking for tobacco and textiles. But Hanes had bigger ambitions.

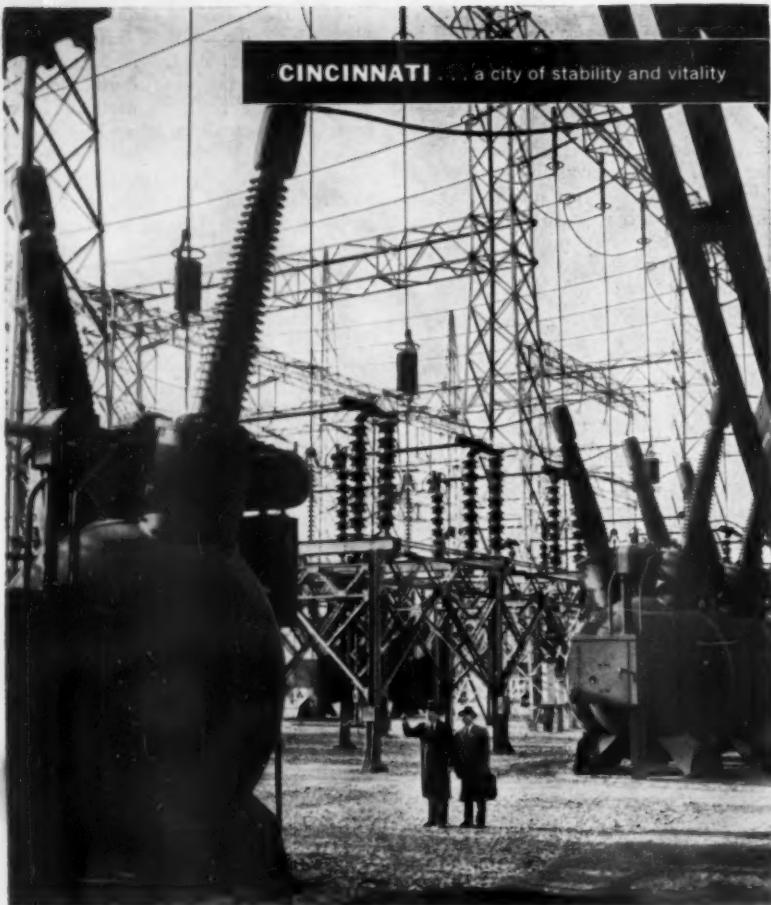
For one thing, he didn't like the idea

that North Carolina industry was dependent on New York banks. When Hanes took over Wachovia, for example, total North Carolina bank deposits totaled only a bit more than \$272-million. Hanes realized that this wasn't enough to support any industrial growth, so he set out to spread Wachovia around the state so it could gather resources. During his reign, Wachovia's deposits rose from about \$48-million to better than \$400-million.

- **New Services, Too**—Hanes also felt that Wachovia had to do more than open new branches. As he saw it, the bank needed to find new banking services and sell these aggressively if it was to prosper. He instituted a program that took his operating officers out into the field to solicit business; this program, now highly developed and organized, is rated as "second to none in the banking industry" by rival bankers.

After World War II, Hanes also took the bank actively into consumer finance





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CHMN. of Wachovia board, Archie K. Davis, one of top trio, is a state senator.

ing with a Time Payment Dept., now the largest in the Southeast. Better than half of its \$93-million time payment loans are in wholesale car financing—an area Hanes entered when it was almost solely dominated by finance companies. Wachovia now ranks near the top among banks in auto paper purchases.

- **Fertile Ground**—As Hanes' ambitions fired Wachovia's expansion, North Carolina's specific needs lent further impetus. After the war, the state experienced a heavy influx of new plants, plus growth of its own industry. Areas of the state that had been underdeveloped expanded greatly, and a demand for new banking facilities arose. Added to this, many smaller banks had exhausted their executive manpower and were seeking mergers with other banks.

All this made the time ripe for expansion. Beginning in 1954, Wachovia, chiefly through the merger route, moved into growth areas around the state—first to Burlington where a number of textile plants had relocated from New England, then to Goldsboro where the furniture industry was thriving. Wachovia's actions led to merger moves by other banks, but none has been able to wrest the top spot away from it.

- **Resentment of Bigness**—In some respects, Wachovia's experience parallels that of the country's biggest bank, the Bank of America. This is largely because both banks responded to the same pressures by going after a mass market; both banks are also in states that permit broad branching. But Watlington says the similarity ends there. "We've stayed away from the image of dominating the banking of the state."

Wachovia, however, has not escaped the image entirely. For as Wachovia has absorbed smaller banks, resentment—at least among independent banks—



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NO. 3 MAN at Wachovia, Vice-Chmn. Carlyle Bethel, runs bank's trust business.

has built up. From various state bankers came rumbles of criticism that the bank is too big, too independent, too dominating; criticism is strongest from smaller banks, particularly those that have to compete directly with Wachovia branches.

But Watlington intends to hold fast to Wachovia's merger pattern. "We will continue to consider favorable opportunities," he says, and he tends to play down what mergers have meant to Wachovia's present status. "Only \$80-million in deposits over the past five years came from mergers," he says.

III. Old Roots, New Ideas

Much of Wachovia's stature comes from the roots it has sunk in its home state. The bank's board of directors—and the boards of its branches—are crowded with senior officers of top Carolina companies. R. J. Reynolds Tobacco Co., P. H. Hanes Knitting Co., Burlington Industries, Heritage Furniture, Inc.—all big corporate names in the state and in the nation—have close tie-ins with Wachovia and these relationships have done much for the bank.

These associations began in the 1870s and 1880s when tobacco and textiles were first gaining ground in North Carolina. During that period, some Winston businessmen—including members of the Moravian religious sect—founded Wachovia's parent institution, the Wachovia National Bank & the Wachovia Loan and Trust Co. The name Wachovia (pronounced Wa Kavia, though bank officials like to say Watch-Over-You) was taken from the German Wachau, the name of an Austrian estate on which European Moravians had found religious refuge.

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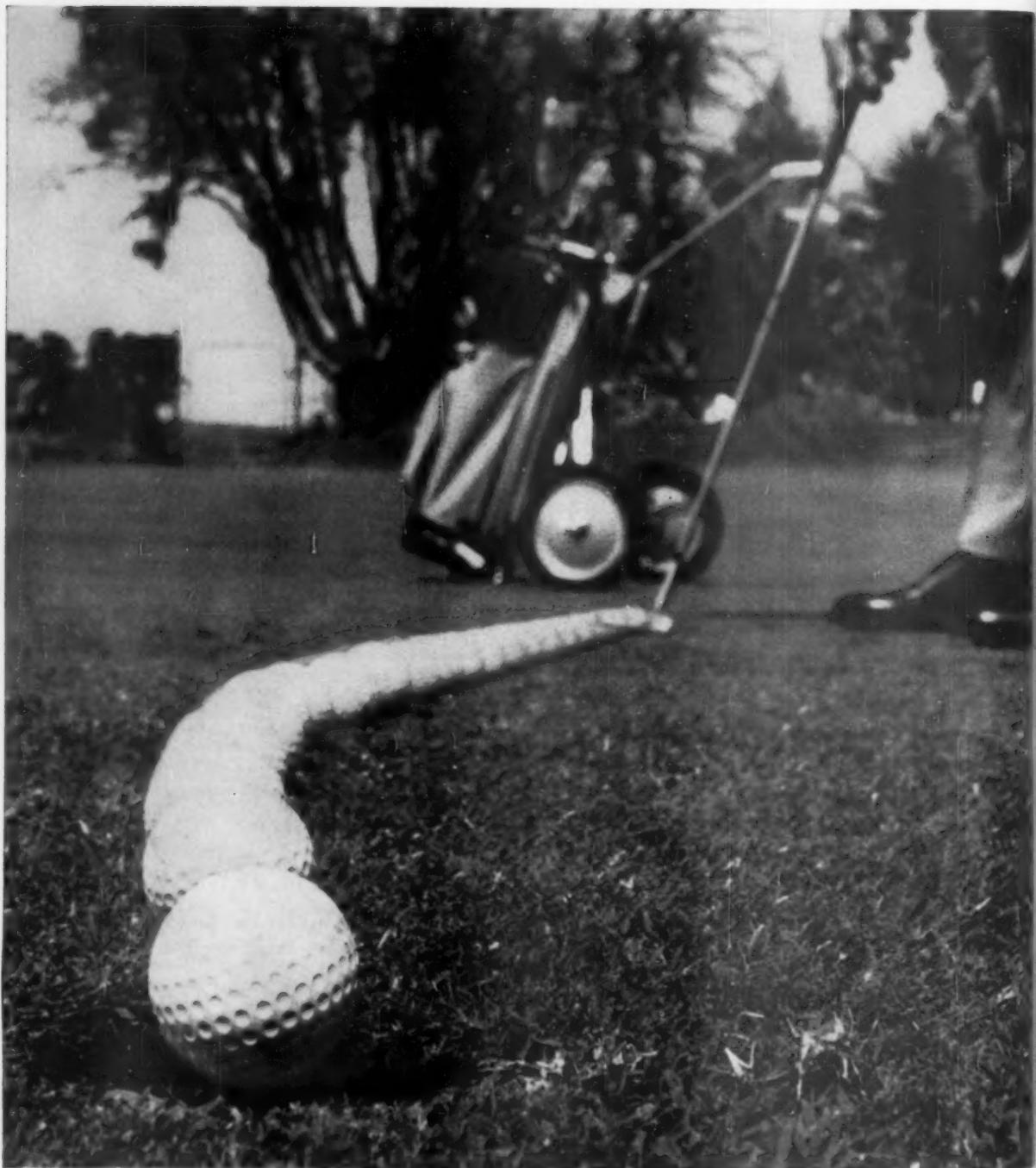
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riod stand out clearly. The names of the bank's first two presidents, Wyatt Bowman and James A. Gray, turn up today in the person of Bowman Gray, chairman of Reynolds Tobacco, who serves on Wachovia's board. Reynolds is probably the largest Wachovia depositor, and Wachovia today does more tobacco financing than any bank in the country.

As with many important banks, Wachovia's voice does not go unheard in state politics. Today, the bank's chairman Archie K. Davis (picture, page 124) serves as a state senator.

• **Trio at Top**—Wachovia is still influenced by old ties—and by Hanes' reign. But Hanes' retirement four years ago did bring changes. For one thing, it ended one-man rule. Watlington, who combines charm with a ministerial air, shares direction of the bank with Davis, and with Carlyle A. Bethel, vice-chairman and senior trust officer (picture, page 126).

Wachovia's trust business has assets of \$800-million—larger than the bank's. Bethel runs the business with a tough competence and is regarded as one of the outstanding trust officers in the nation. He also is credited with pioneering pension fund trust business in the South, now has 250 pension funds on his books.

• **Development Job**—The three men occasionally reveal a difference of opinion. But they all agree on the bank's expansionist program.

One of the biggest tasks they have set for themselves is to develop the state's livestock industry. Traditionally, North Carolina has been dependent on tobacco and the bank is anxious to see the state diversify.

The bank treats its agricultural work as part of the service it offers its correspondent banks in the state—for example, it guides smaller banks in making new agricultural loans. This service is a prime reason why Wachovia has flourished in correspondent banking, which brings both deposits and new bank business. Wachovia works its correspondent selling hard, and, at present, from more than 400 correspondent banks in and out of the state it has about \$109-million in deposits.

These efforts throw Wachovia against competition from many other banks, including the big New York and Chicago banks. Watlington points out that New York's share of correspondent business is decreasing. "In North Carolina," says Watlington, "every bank once felt it had to have a New York correspondent. Now many of them don't." About 87% of North Carolina banks are now Wachovia correspondents.

Wachovia's hard sell of correspondent business is typical of its sales thinking. "We are a sales-minded

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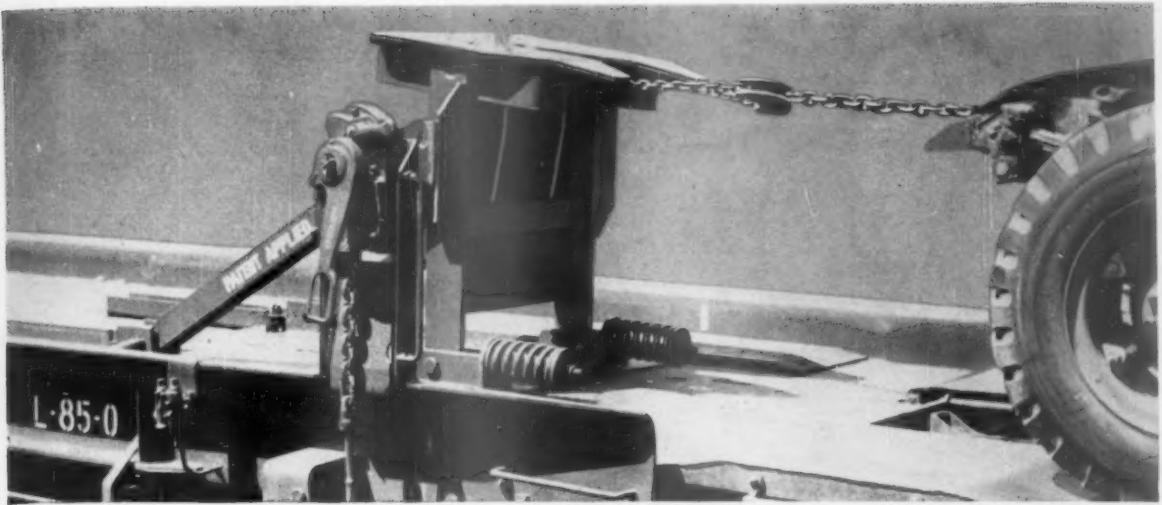
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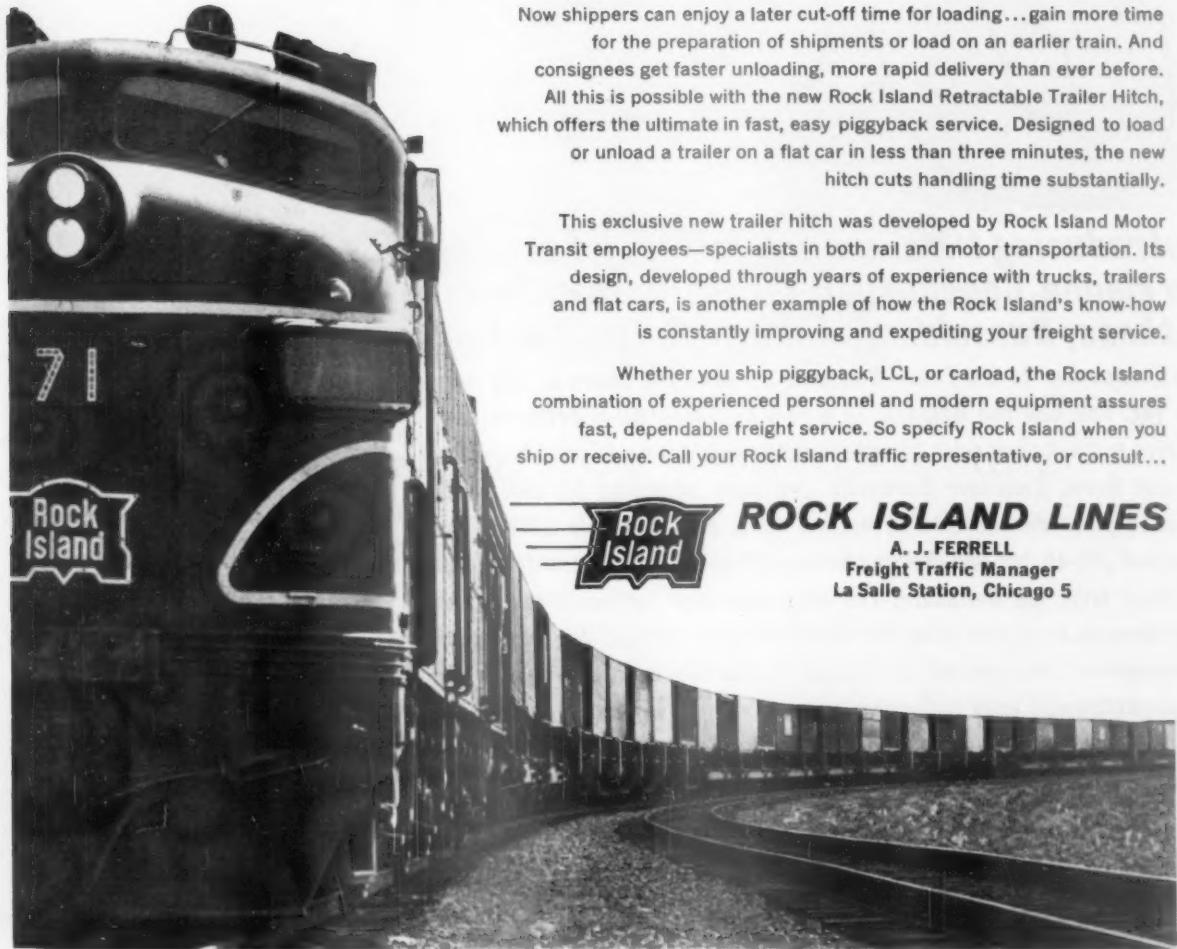
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bank," says Watlington, and he cites with pride the program that sends the bank's operating officers out into the field to woo new business. Last year, 215 officers made 55,000 calls. Bank tellers also have a strong sales pitch; last year, people in the bank made 56,308 contacts resulting in 20,908 sales (new accounts, new loans, or other new business).

- **Always Something New**—In seeking new business, Wachovia—like any business—hammers hard at the services it can render. This means it must always be coming up with new ideas. In the past months, it has been concentrating on a number of things:

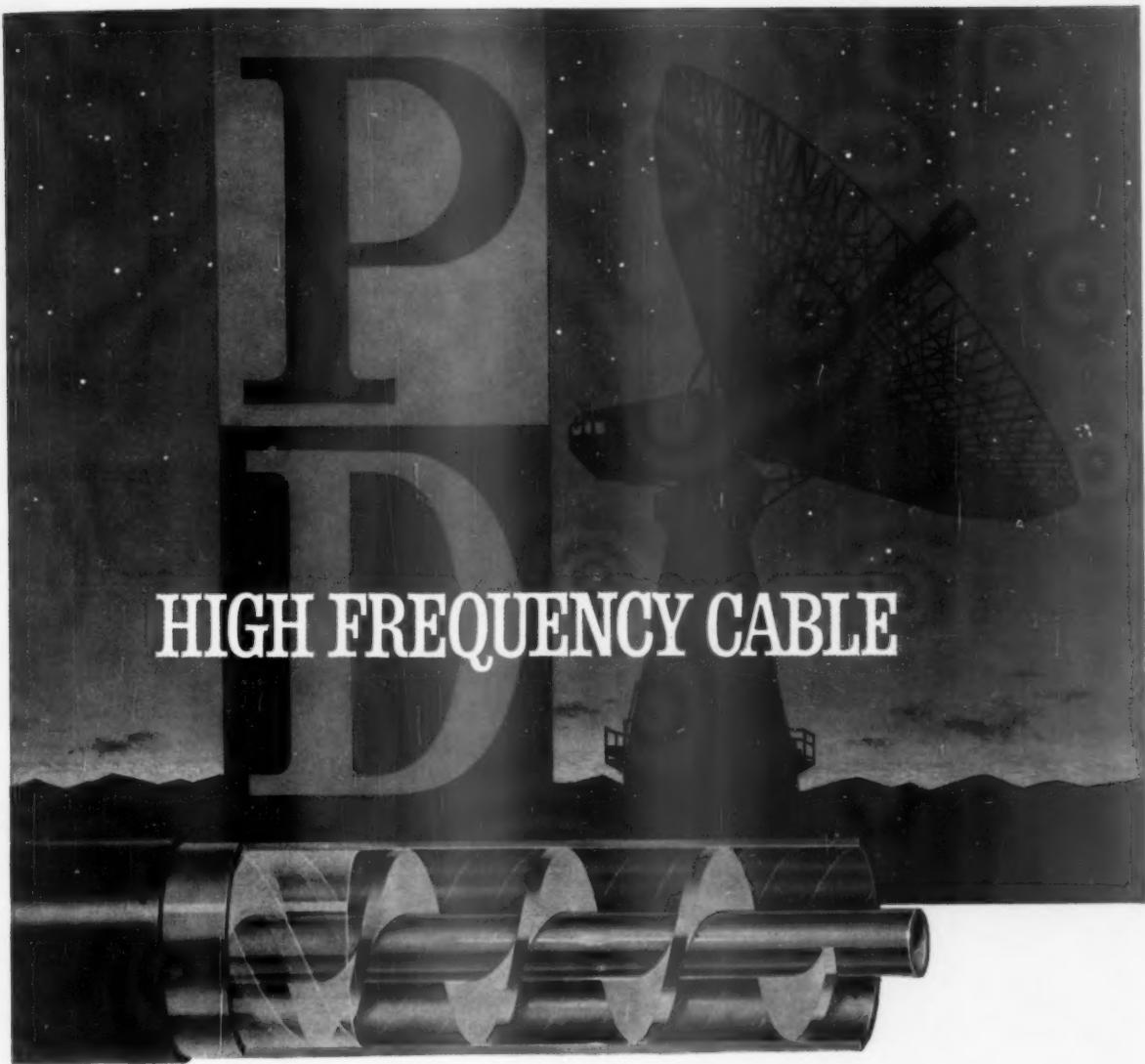
Multiple checking. Wachovia actually developed this single-billing plan 20 years ago, but it hasn't really pushed it. It calls for the bank to supply customers with large forms consisting of a bank check payable to Wachovia and a long list of names of some 75 local stores, utilities, doctors, the country club—anyone the customer might normally do business with. At the end of the month, the customer takes his bills, indicates the amount next to the proper name, and mails the whole form to the bank with one check. The bank pays out as indicated and charges the customer's account.

Automation. Wachovia has led its region in introducing automation to banking, and now its comptroller, Edward Shipley, is trying to take it a step further. Shipley is experimenting with an IBM computer for doing income tax returns; he thinks the time is fairly near when a customer will be able to use his check book—with appropriate code numbers—to tally income and expenses. Shipley also thinks that in five years or so a bank identification card will take the place of check-writing. Says Shipley: "I'll simply tell, say, the department store to have my bank pay its bank and charge my account."

Ready-money. Wachovia last year joined the banking crowd with its own version of a bank credit plan—setting up lines of consumer credit for depositors. The bank, though, is not too keen about the idea. Davis looks on it as a defensive measure.

In-plant banking. Wachovia will be actively promoting this service this fall. It calls for a corporate client to send the bank a check for its payroll and a list of how much cash each employee gets paid. The bank then deposits the proper amounts in individual employee checking accounts. It can deduct for savings accounts, or even arrange loans.

In all these activities, Wachovia feels the customer must be served. The bank's officials believe that their bank's future lies in continuing to reach out for new ways to offer their banking facilities, and they see no alternative path for other banks. **END**



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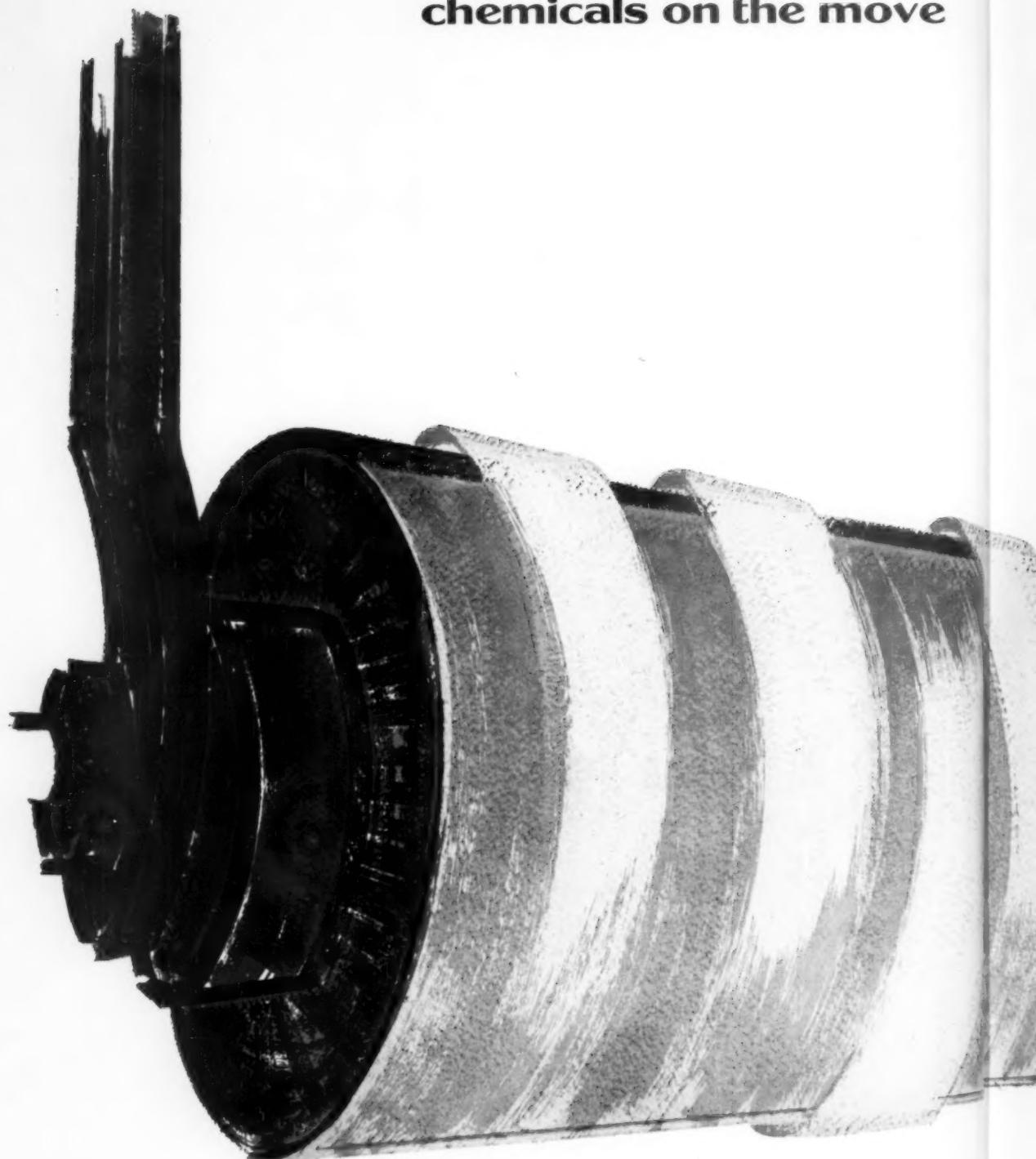
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INTERNATIONAL OUTLOOK

BUSINESS WEEK
SEPT. 24, 1960



It may be weeks before the big show at the United Nations comes into any kind of perspective. It could turn out to be little more than an East-West propaganda contest, with Nikita Khrushchev and Pres. Eisenhower as the main actors.

Even so, this session of the U.N. General Assembly is bound to have some of the earmarks of a summit meeting. And, conceivably, it could have as much impact on world affairs.

It is worth noting that Eisenhower planned at midweek to offer the U.N. new versions of his "open skies" and "food for peace" plans. The President had intended to present both of these at the May summit meeting that never got under way.

By the same token, Khrushchev has disarmament and Berlin on his mind today, just as he did last spring before he went to Paris.

The U.S. has gone into the current General Assembly meetings with a solid advantage over the Soviet Union. That's because of the success scored by the West against Moscow in the earlier, special session on the Congo crisis. In fact, history may record this earlier gathering of the General Assembly as by far the more decisive of the two.

At the special session, three important things happened:

- Secy. Gen. Dag Hammarskjold got an overwhelming vote of confidence for his handling of the Congo crisis, despite strong Soviet efforts to take Congo affairs out of his hands.
- The new African nations showed that they were not willing to be shoved around by Moscow or to become pawns in the cold war.
- The U.N. greatly strengthened its new role as the guardian of African independence.

Note that the U.S. now is advocating a big U.N. aid program for Africa—into which Washington would channel its African aid funds. This wouldn't be happening if the Soviets had been able to undercut Hammarskjold's position.

Add it up, and you have a stronger U.N. organization plus a growing U.S. commitment to the U.N.

— • —

In the Congo itself, there has been a real shift of power. The strong man now is Col. Mobutu, army chief of staff.

Mobutu has not only shoved Lumumba into the background but kicked out the Russians and Czechs (many of them army officers) who were in cahoots with the deposed premier.

Pres. Kasavubu, long-time opponent of Lumumba, apparently is cooperating with Mobutu. Mobutu has put the civilian administration in the hands of a commission—a group of young Congolese who haven't been mixed up in politics.

— • —

Differences between Moscow and Peking can't help but affect Khrushchev's tactics at the U.N. In many of his frontal attacks on the West, he will be taking a backward swing at Mao Tse-tung, who is bitterly opposed to Khrushchev's peaceful coexistence policy (page 27).

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
SEPT. 24, 1960

One of Khrushchev's aides at the General Assembly, Bulgarian party boss Todor Zhivkov, has just written a bitter attack against Mao in the **World Marxist Review**. In this attack, Zhivkov defends Khrushchev's policy with these words: "A modern nuclear war would lead to the destruction of hundreds of millions of people, to a mass annihilation of cultural wealth created by the many-centuried toil of mankind."

—•—

Washington now doubts if there will be any early agreement between Europe's two trade blocs—the six-nation European Economic Community (EEC) and the British-led European Free Trade Assn. (EFTA). Right after Prime Minister Macmillan and Chancellor Adenauer met in August (BW—Aug. 20'60, p30) U. S. officials thought a deal was in the making.

Here's how Washington sizes up the Six-Seven problem today:

- The French seem as strongly opposed as ever to a merger of the two trade blocs, even though Pres. de Gaulle has been trying to downgrade EEC's executive body, the Commission. As Washington sees it, British officials overestimated the extent to which they could capitalize on de Gaulle's coolness toward the Commission.
- British-German attempts to work out the form of a possible Six-Seven merger haven't produced much. British ideas for "harmonizing" the external tariffs of the two blocs don't interest de Gaulle, although they have aroused some interest in West Germany and the Netherlands. In fact, Washington figures that de Gaulle will exact a very stiff price before he agrees to any solution. Probably he would ask for nothing less than British support for his "third force" plans, which would necessitate a complete revamping of NATO. Washington doesn't believe the British would pay this price.

Despite all the obstacles, British officials are clearing the ground this week at a Commonwealth Ministers meeting for a new round of probing negotiations with the Six. The other members of the Commonwealth won't object to Britain doing a little quiet negotiating. But they are insisting that if London bargains away Commonwealth preferences, it must secure comparable trade advantages on the Continent for the other Commonwealth nations.

—•—

Pres. Eisenhower this week acted to forestall anti-U.S. outbursts in Panama by permitting Panama to fly its flag beside the U. S. flag within the Panama Canal Zone. The flag issue was one cause of violent demonstrations that took place last Nov. 4, Panama's independence day.

The move is a part of Washington's new Latin American policy, built around a \$500-million economic aid program (BW—Sep. 17'60, p167). Opposition to the President's decision came from several members of Congress and the Defense Dept.

—•—

The French automobile industry is in a predicament. Unlike its British and West German counterparts, it has moved rather suddenly from being a largely domestic-based industry to being a big exporter, especially to the U. S.

But its market in the U. S. is fast shrinking, due to the success here of U. S. compact cars. To make matters worse, the French domestic market is stagnant. And, so far, the industry hasn't been able to pressure the French government into the kind of easy credit policies that would stimulate home demand.

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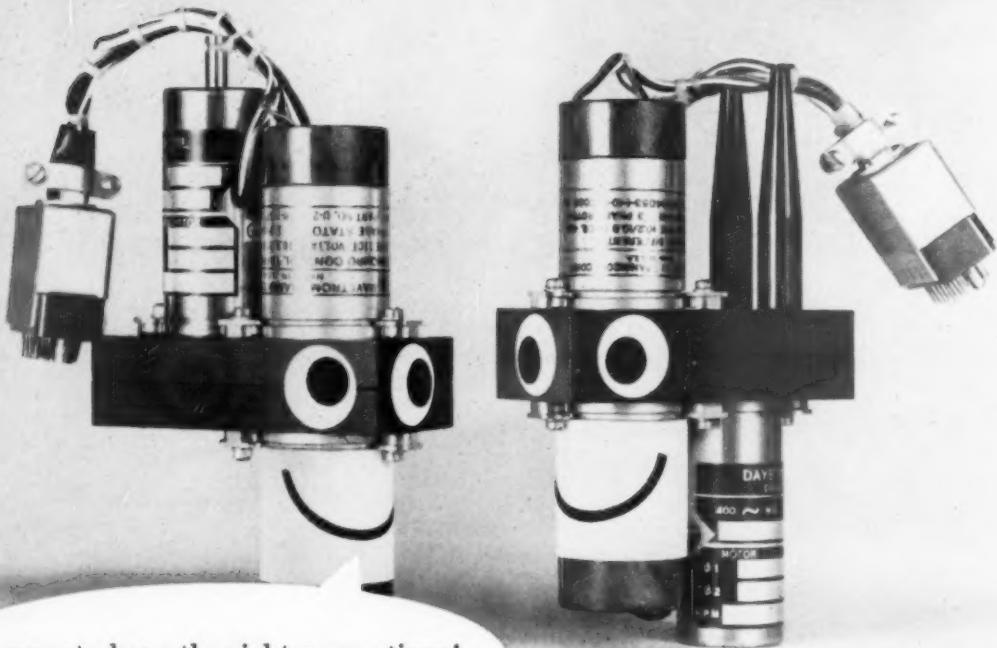
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BUSINESS ABROAD

Kubitschek's Legacy: Progress, Inflation

On Oct. 3, Brazil's 12-million voters will choose a successor to Pres. Juscelino Kubitschek, the dynamic and controversial leader who has gotten Brazilian economic development rolling in a manner that gives most orthodox economists the shakes.

Marshal Henrique Teixeira Lott and Janio Quadros da Silva are the two leading candidates to follow Kubitschek, who cannot constitutionally succeed himself. Both are committed to the goals of Kubitschek's economic program. But that's as far as the similarities go. In personality, background, economic principles, and outlook on foreign affairs, they are quite unlike.

• **Army Man**—Lott, former War Minister in the Kubitschek cabinet, is an Army man endorsed by the nationalists and the present administration's machine. He promises more Kubitschek-style economic development.

Quadros, a popular political reformer, is making his pitch to a public caught in an inflationary wage-price squeeze. He plugs economy and morality in government, plus economic development.

Quadros is rated the favorite to win, in a country where voters generally ignore parties and vote for the man. There is a third candidate, Adhemar de

CAMPAIGN STREAMERS of presidential candidates span streets of Rio de Janeiro.

Barros, mayor of São Paulo, but he is a dark horse.

Looking ahead, Kubitschek appears to have his eye on 1965, when he will be eligible to return to office.

I. Highlights and Shadows

The legacy that Kubitschek will leave his successor is brilliant in some respects, dreary in others. Brazil has enjoyed a four-year industrial boom, enticing over a half-billion dollars in foreign investment. But the progress has come at a high cost in inflation and there is a backlog of bills to pay.

Kubitschek's program was a 33-point investment campaign carrying a \$6-billion-plus price tag. Scoffers howled at his "50 years progress in five" slogan when he came to office. Today, even his inflation-wailing detractors admit he has made good, and reluctantly acknowledge him the nation's best chief executive in 30 years.

The incumbent hasn't reached all his objectives but he has pushed Brazil well along the road of economic development. Some accomplishments:

Electric power. When Kubitschek took over, installed capacity was 3-million kw. He promised 5-million kw. by 1961. Today, the figure is over 4-million, with more coming.

Petroleum. The 1960 production



MARSHAL LOTT, an army man, is Kubitschek's choice for Brazil's next president.



JANIO QUADROS, favored by business, is a slight favorite to win Brazil's election.





A "slightly" exaggerated portrayal of resourceful Vice President Thomas Bellinger on his way to customer counseling in Southern Louisiana

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goal was 98,000 bbl. a day. Today's output is 85,000 bbl. Refining capacity, scheduled for a daily 308,000 bbl. by the end of 1960, will reach 210,000 bbl. next month, 300,000 bbl. by mid-1961.

Automobiles. An assembly operation only five years ago, the industry's eight private and one government companies turn out 120,000 units a year, 90% manufactured locally.

Highways. Plans called for over 9,000 miles to be built, 2,000 more to be paved. By the end of January, these objectives will have been exceeded.

Then there is Brasilia, the new national capital built in the backlands (BW—Apr. 16'60, p148). It is almost an afterthought, not included in the original development goals. But it has set off a rare paroxysm of national pride.

U.S. capital has had some part in all this. It has been the major portion of \$525-million in foreign venture capital that has marched into Brazil in the last four years. Total U.S. investment there now runs to about \$1.5-billion, spread over some 300 companies.

In welcoming foreign capital, the government has channeled it into fields of its choosing with a device called the "executive group." Composed of representatives from customs, the Bank of Brazil, credit regulation, and other federal agencies, it can recommend tariff, exchange, and similar favors for investors who submit plans. The incoming company is usually required to reach a stipulated percentage of local manufacture within a given time.

• **Economic Disputes**—Despite achievements that are due in large measure to Kubitschek's personal drive, the outgoing president's economics have often been the despair of U.S. and international financial agencies, which said they could not go along with Brazil's brand of inflation-fed development. Kubitschek has long been at odds with the International Monetary Fund. But he argues that Brazil cannot wait for orderly growth through accumulation of savings, and may lose the race between production and population unless there is forced priming of the pump.

Kubitschek thus leaves behind him these problems:

Budgetary deficits. Government spending has outrun income by \$650-million in the last four years, mostly covered by the issuing of more currency. A deficit of \$81-million is forecast for this year.

Inflation. The cost of living spiraled upward 52% last year alone. Tamed somewhat this year, it is set for another takeoff following 40% raises for government employees and a boost in minimum wages fixed for later this year.

Unpaid bills. Foreign indebtedness totals over \$2-billion, with repayments running roughly \$300-million a year.

Trade deficit. Last year, Brazil finished \$93-million in the red and the outlook this year is not much better. The total balance of payments deficit will hit \$156-million. Development of exports other than coffee has been unsuccessful so far.

II. Portrait of Two Candidates

The inheritor of this expanding economy and its serious problems next January will be either Marshal Lott or Senor Quadros.

Lott, of Dutch ancestry, is blunt, forthright, with his barracks background showing clearly through his natty civilian attire. He is more at home behind his desk at the War Ministry than on a public platform.

Short on personal voter appeal, Lott counts on two weapons to win: the backing of the popular Kubitschek with his record of accomplishments; and the political machine that his controlled Brazil's government for over a quarter century. Put together by Pres. Getulio Vargas, this machine is a none-too-firm alliance of conservative landowners and the Labor Party, home of most of Brazil's left-wingers and ultra-nationalists. Lott's loudest support has come from these nationalists and the labor movement's Communist outriders.

If Lott is elected, Brazil can look forward to an orderly continuation of the present administration program, with few surprises. Although the Communists back him, Lott pronouncements have been on the side of orthodoxy. He opposes restoring diplomatic ties with the Soviet Union or allowing the Brazilian Communist Party to return to legal status. He has branded Cuba a Soviet bridgehead and warned against Brazil's assuming a neutralist position.

• **Middle-Class**—Lott's opposite is Jânio Quadros, a colorful and enigmatic character. Nothing quite like Quadros has come along before in Brazilian politics, usually controlled by landowners and military men. He's from the middle class and has a large following in the business community. He has won this support by talking and practicing governmental thrift and honesty. This has also appealed to a working class anxious for relief from inflationary pressure.

Quadros became governor of the state of São Paulo in 1954. He surprised many businessmen, who had been leery of his off-beat tactics, by running a sound administration and putting the state's wrecked finances in order. He warred on trough-feeders, stung slack officials by dashing off waspish notes that were carefully made public.

Even today Quadros gives his backers the jitters by friendly gestures toward Cuba and Fidel Castro, whom he visited earlier this year. Quadros favors dip-



RETIRING now, dynamic Pres. Kubitschek can run for new term in 1965.

lomatic relations with the Soviet Union and Communist China, says he would not oppose lifting the ban on the Brazilian Communist Party, and has suggested that Brazil align itself with the underdeveloped nations of Asia and Africa.

His campaign backers put this down to smart politics, a gesture to the left to avoid the stigma of "one who sells out to foreign capital" that the leftists have tried to hang on him.

• **Communist Stand**—Paradoxically, the Communists back Lott instead of Quadros because, having no legal status, they can influence the government only through the labor movement, which supports Lott.

On two issues, the candidates are pretty much agreed. One is nationalism, on which no one in Brazil has a monopoly. Both Lott and Quadros affirm the untouchability of Petrobras, the state oil agency. Both say they favor foreign capital "of the right sort," which means capital applied to productive sectors and preferably including Brazilian participation. It must be willing to come in on Brazil's terms. Both favor measures to limit profit remittances.

The other area of agreement is inflation, and here neither makes much of a promise to control it. They both say they would fight it with careful handling of government funds and elimination of non-productive undertakings. Lott gives priority to development over a sound budget. Neither sees a balanced budget as an immediate possibility. END



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In Business Abroad

International Control of Oil Exports

In First Stage at Five-Nation Meeting

The beginnings of international control of petroleum exports became evident this week, following a meeting of representatives of five oil producing nations in Baghdad, Iraq, last week.

Iraq, Iran, Kuwait, Saudi Arabia, and Venezuela agreed to establish an Organization of Petroleum Exporting Countries to combat what they consider arbitrary price changes by international oil companies. The five nations supply about 90% of the world's oil exports.

The glut on the world oil market, recent price reduction by major oil companies, and competition and price cuts by Russia generated the move.

Resolutions adopted at the conference call for pro-rating exports of oil. Oil industry observers believe this will lead to production controls, if the organization holds together. The Russians have already been sounded out for talks on their export policies.

At the close of the meeting, the representatives announced that they would release a communique at the end of this week. It is believed that it will take a strong line threatening departure from the traditional 50-50 split of profits between the producing company and the government of the producing nation. Several breaches of this formula have already occurred.

The delegates set up a permanent secretariat to meet regularly. The next conference is scheduled for next January in Caracas, Venezuela. Collective oil policies will also be discussed at the Second Arab Oil Conference, slated for Beirut, Lebanon, in mid-October.

Cuba Nationalizes Its Tobacco Industry, Takes Over U. S. Banks, Squibb Plant

While Cuban Premier Fidel Castro was having trouble with hotel accommodations in New York this week, back in Havana it was revolution as usual:

- The government seized the cigar and cigarette industry, making its biggest inroads into Cuban industry so far. U. S. importers had feared the move (BW—Sep. 1760, p70).

- Trade with Russia picked up as a Soviet freighter delivered a cargo of 300 tractors, bulldozers, and other equipment. It will return to Russia with sugar.

- The government began operating three U. S. banks seized last week, with pleas from National Bank Pres. Ernesto "Che" Guevara to depositors to abstain from withdrawing deposits. Withdrawals were higher than usual, but there appeared to be no heavy run on the banks.

- The regime took over the E. R. Squibb & Sons plant that manufactures chemicals and drugs. Company spokesmen said they could not place a value on the property.

Not everything is going the way the Cuban government wants. A Miami advertising firm, Harris & Co., obtained court action to grab a Cubana Airlines airplane worth \$3-million and Cuban bank accounts totaling \$57,000. It said the airline had not paid its bills.

India Favors Russian Helicopter

Over U. S. Entries for Border Use

U. S. and other Western helicopter makers have lost out to the Russians in a competition to sell high-altitude helicopters to the Indian government.

New Delhi has decided to buy several Soviet MI-4 helicopters for use in its northern frontier, where Communist Chinese troops have intruded from time to time. India had also considered, among others, Sikorsky and Bell machines, with Sikorsky the most serious contender.

According to Indian officials, the Russian helicopter is not so sophisticated as the Sikorsky S-62 but is "simple, sturdy, and suited to Indian conditions." The Russian machine is cheaper, \$150,000 against \$260,000 for the Sikorsky model.

Latin Americans Will Spend \$8-Million

To Get More People to Drink Coffee

Latin American coffee growers have announced that their organization, the American Coffee Federation, will spend \$8-million in an advertising campaign to get more people to drink coffee. England, France, and Italy are major target areas.

The coffee group is also making an all-out effort to bring African coffee growers into a World Coffee Federation. Competition between the two continents drives down prices and piles up mountains of surplus coffee.

In a meeting in Washington this week, the Latin Americans discussed plans to get together with the Africans.

Business Abroad Briefs

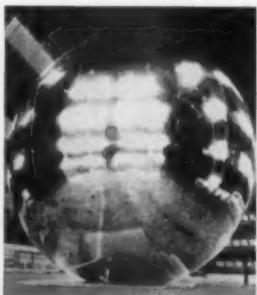
Monsanto Chemical Co. this week announced formation of Monsanto Iberia S.A. in Spain. It is a joint subsidiary with Aiscondel S.A. of Barcelona. The new firm was set up under a recently enacted Spanish law allowing foreign companies to hold 50%, instead of 25%, equity in Spanish companies.

The state of South Carolina is attempting to induce Latin Americans to ship their products to the U.S. through South Carolinian ports. It is also looking for markets for the state's products in Latin America.

The Suez Canal Authority has announced that improvements for widening and deepening the canal are complete. The improved canal permits passage of ships with 37-ft. draft, instead of 35-ft. draft. Traffic is expected to increase 15%.



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THE MARKETS

Small Underwriters Make Big Splash in Market

The men pictured here, and on pages 149 and 151, represent a new phenomenon on Wall Street. Basically, they are salesmen, with equity securities as their stock in trade. They have all spent much of their working lives selling shares, but it's only recently that they have blossomed into a substantial force in the market.

Their specialty is underwriting—providing venture capital for small and often highly speculative companies. Just as the companies they underwrite are small, the underwriters themselves are tiny in relation to the giants of the capital market.

For example, S. D. Fuller & Co., one of the bigger firms specializing in small underwritings (it has capital of \$1.4-million), managed underwritings during the first half of 1960 totaling only \$5.5-million. In the same period, First Boston Corp., currently the No. 1 underwriter in dollar volume, managed deals totaling \$738-million.

Not all the new underwriters are true investment bankers. A number of small houses that have concentrated on selling issues for newly formed companies are in fact promoters. But most of the firms that have been making their mark on Wall Street recently shy away from pure promotions. The better houses, as a matter of policy, make it a rule not to deal with a company with less than a five-year record of successful operations.

• **Filling a Need**—In spite of their size, the small underwriters have been taking an increasing share of new-issue financing. They have moved in to accommodate a demand that older, better-established underwriters have been unable or unwilling to fill. Many of the new issues that have flooded the market are too small or too speculative for the old-line firms, with their carefully nurtured prestige and their high overhead.

New common stock flotations are among the most profitable activities on Wall Street, both for investors and for underwriters. Straight underwriting commissions on speculative deals may run as high as 15% of the amount raised, in some cases even higher. Moreover, the underwriters normally get warrants to purchase company stock at or below the offering price. Myron A. Lomasney & Co., an active new issue house, paid \$200 for warrants to buy 20,000 shares of BBM Photocopy Mfg. Corp. at \$3. With BBM now

trading at \$40 these warrants are worth about \$800,000 before taxes; the original 100,000-share financing came to only \$300,000.

The lure of profits like this has been chiefly responsible for bringing a number of New York Stock Exchange brokerage houses, which previously shunned underwritings in addition to scores of newly formed over-the-counter houses, into speculative new-issue financing.

Just this week, J. R. Williston & Beane, a NYSE member that up to now has specialized in brokerage, admitted three new general partners in a move aimed at building an organization to handle new-issue financings. Williston hopes to manage underwritings from \$500,000 to \$5-million for "smaller, but seasoned companies in growth areas in the economy."

I. Lots of New Issues

New-issue financing, of course, has been booming. Like previous bull markets, the long bull market of 1958-59 encouraged record numbers of companies to sell shares to the public for the first time.

According to the Securities & Exchange Commission, the number of registration statements filed—which are required for any issue over \$300,000—has almost doubled since 1958, even though the dollar total of financing has dropped. There has been a similar surge in "Regulation A" filings for less than \$300,000, which are exempt from many of the disclosure requirements applied to larger issues.

• **Pressure**—There's little doubt that some part of this activity is generated by underwriters who are seeking a quick profit.

The owner of a small boat company in New Jersey tells this tale of a visit by a high-pressure salesman from a New York underwriter. "The guy came in with a check for \$250,000 made out to me, complete except for the signature. 'You want this money, here's all you got to do,' was the pitch. I'm still thanking my lucky stars I turned him down."

Such high-pressure tactics are not the rule among the new crop of underwriters, but neither is this example an exaggeration.

• **Investor Appeal**—For investors, new issues also have their own peculiar appeals:

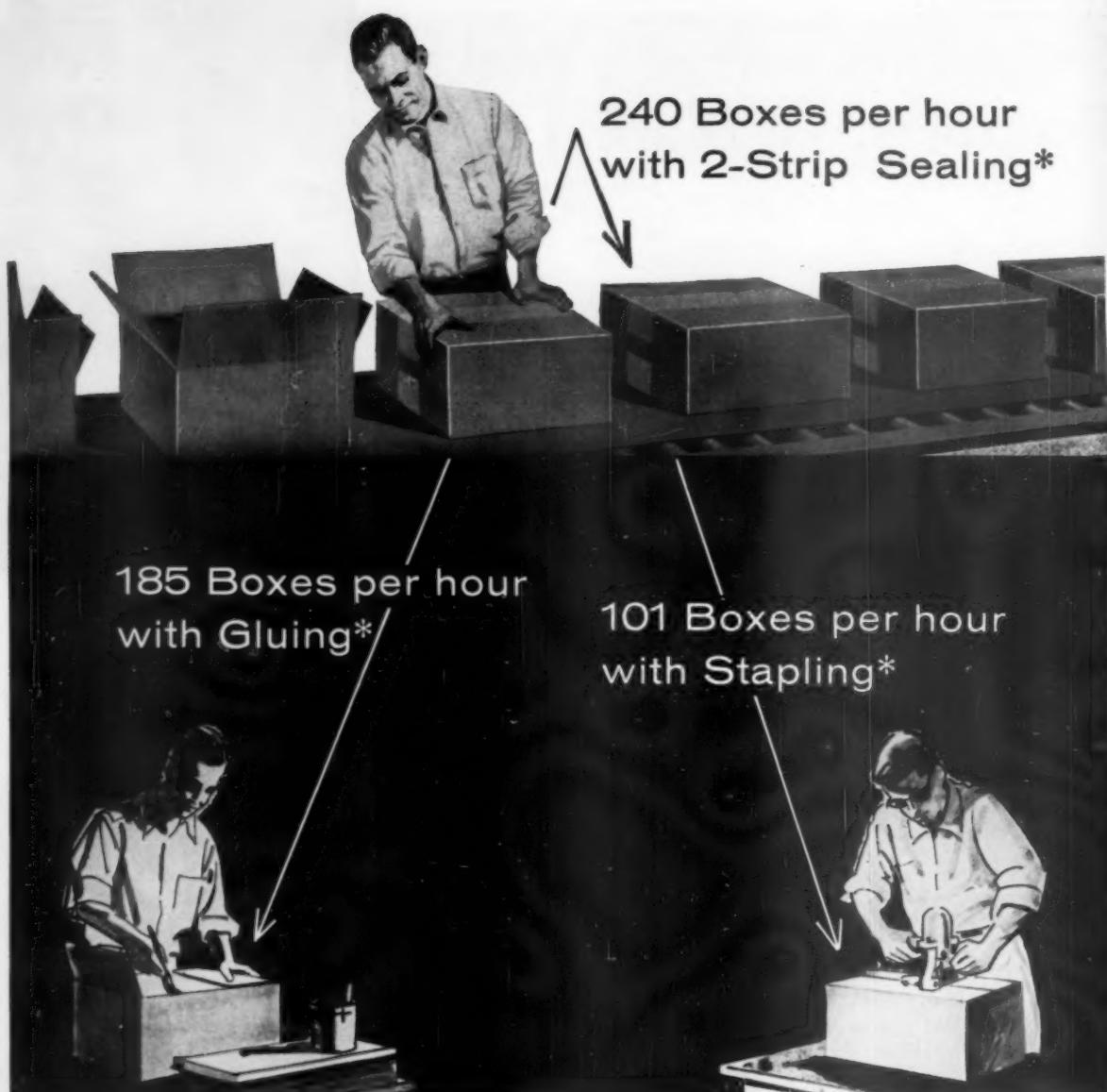
- New issues are frequently in short supply. Often only a small quan-



STEPHEN D. FULLER of S. D. Fuller & Co. has been underwriting since 1946. He expects this year to manage underwritings of more than \$15-million, distributing nationally through broker-dealers. Trained at F. Eberstadt & Co., Fuller aims to follow its model in corporate matchmaking.



MYRON A. LOMASNEY'S firm is known as "the deal of the month club" because of the hectic pace of activity. Lomasney, a Harvard classmate of Fuller, has sold 15 issues in the past year, chiefly by wholesaling shares to other dealers. He had two employees 18 months ago, now has 29.



That's Why Shipping Rooms Are Switching to 2-Strip Sealing and Cutting Costs

Two-strip sealing, now approved by all carriers, has revolutionized carton sealing methods. It is not surprising to find American Sisalkraft the pioneer in this development.

This company has more experience than anyone else in making reinforced sealing tapes, industrial wrap, building papers used as vapor barriers. It is now leading in the development of new types of flexible vapor barriers made of paper, foil or plastic in all combinations using laminates to impart special properties, the newest of which is fire resistant.

We have specific information dealing with papers for construction, industrial wrap and carton sealing. Write to our Home Office in Attleboro, Mass. for whatever information is of concern to you.

*Results of tests by independent laboratory



AMERICAN SISALKRAFT CORPORATION
Chicago 6 • New York 17 • San Francisco 5
In Canada: Murray-Brantford Ltd., Montreal

reinforced paper, foil and plastics for construction, industrial packaging and agriculture

ity of stock is sold, and much of this gets into "firm" hands—investors who are in for the long pull and have no intention of selling, no matter what the initial premium.

• There's also the possibility of "free riding"—selling the shares immediately if a new issue jumps to a quick premium, and pocketing the profit without putting up any capital. Normally, four days are allowed for a stock buyer to pay for his stock. If shares are sold the first day an issue trades, the checks are "back to back"—that is, the check paying for the shares purchased is covered by the check paying for the shares sold, so there's no cash outlay at all.

• Many companies going public for the first time are—or purport to be—in glamor growth areas. This has led to a rash of public sales of outfits with "electronics"—or some other kind of "onics"—in the name. The old saw about a name being worth 5 points in the stock market is taken dead seriously by old hands in the new issue market.

• Particular underwriters get a reputation for selling successful issues, and old and new customers tend to buy subsequent issue on faith alone. "It's like betting on the jockey at the races," says one underwriter.

• Still a Risk—Even with all these factors working for a stock issue, there's still tremendous risk in buying shares in small companies that lack a proven ability to stay above water.

One veteran Wall Street observer, who has watched new issue booms from 1935-37 on, predicts that five years from now "at best" only 10% of the new stock issues sold since 1958 will have a ready market, and probably less than that number will be at a premium. "We saw it in uranium," he adds. "The chances are we'll see it in electronics, too."

SEC is well aware of the risks involved in new underwritings, but it takes the attitude that its duty to the public ends when there has been full and complete disclosure of a company's affairs.

"We're not here to keep investors from losing money," says one SEC man. "The day we start doing that, it'll be the end of the free capital market."

• Police Job—But SEC is concerned about the possibility that new issues are jumping to a sharp premium not because of genuine market demand but from what amounts to market manipulation. SEC has already issued a blast at free riding by insiders—particularly relatives and friends of the underwriters—who have been allotted big blocks of "hot" issues. This channeling of shares to insiders, naturally, serves only to accentuate an artificial demand for the securities. SEC attorneys indicate that more action is in the offing.

SEC sources admit that finding and



DONALD B. MARRON of Marron, Sloss & Co., Inc., is 28 and boasts he is "always the youngest guy to do whatever I decide to do." Marron, Sloss has grown fast, though it tends to follow classic investment banking principles, avoiding promotion-type operations. It is building a brokerage trade.

prosecuting market manipulation in new issues—if it in fact exists—will be a tougher job than closing up the boiler shops. That often amounted to little more than a police raid. "These newer violations are subtle ones," says a high ranking official, "and they will be very difficult to prove in court."

II. Vying for Business

In underwriting, quite logically, the key to success is the ability of a firm to attract new business. Finding new companies that need public financing is a tough problem for the small underwriters. The old-line houses, with their corps of salesmen, nationwide wire networks, and big capital positions, have a tremendous edge on the newcomer.

It was a foregone conclusion, for example, that when Transistor Electronic Corp. went public last December in a massive \$36-million offering, the deal would be managed by one of the "majors." Merrill Lynch, Pierce, Fenner & Smith, Inc., got the business, reportedly because of its ability to distribute stock widely. (Merrill Lynch, once almost exclusively a brokerage, has moved heavily into underwriting.)

• Sometimes Win—Nonetheless, small underwriters do get business, and sometimes they manage to take it away from older, bigger houses. A prime example would be the 300,000-share, \$1.6-million offering of stock in Yale Express System, which Michael G. Kletz & Co., Inc.—virtually a one-man operation—took away from several bigger houses. Kletz pulled this coup by



MICHAEL G. KLETZ of Michael G. Kletz & Co., Inc., works as a lone wolf—"just me and 11 girls." This staff of a dozen has a plush suite of offices in mid-Manhattan. Kletz has a reputation for shrewdness, and he has managed to take underwriting deals away from firms many times his size.

underbidding the bigger houses and by using personal contacts to the utmost.

Personal contacts and prestige on Wall Street are the chief assets of small underwriters. Commercial bankers, attorneys, and accountants—all in a position to know the intimate details of a company's financial condition—are frequently called upon to recommend a solution to a financial problem. Many of them, in fact, often draw down a finder's fee for bringing new business. Thus, a must for a new underwriter is a wide circle of personal acquaintances within the financial community.

• Prestige Rating—Prestige is even more important. Underwriters vie bitterly with each other for status, feeling that the well-regarded firm is most likely to attract new business.

For example, the traditional "tombstone" advertisement announcing a new issue—with its list of underwriters arranged in seemingly haphazard order—is actually as carefully negotiated as an international communiqué. Usually the managing underwriter, who negotiated the deal, is listed first, other underwriters following in the order of their participation in the issue. The higher on the list, so Wall Street mystique has it, the greater your prestige.

The small firms, in particular, fight hard to get well-established member firms of the New York Stock Exchange into their underwritings. "It gives class to an issue when you get a stock exchange house in the syndicate," says Donald B. Marron, of Marron, Sloss & Co., Inc.

Conversely, the bigger underwriters,

EAGLE-PICHER / Manufacturer's Manufacturer



Fab-Wrap polyethylene is an ideal packaging material for the display and protection of bakery, paper and textile products.

Knowledge, in depth, of the specific problems and needs of other industries is typical of the manufacturer's manufacturer. Such knowledge is often acquired through long years of association and shared progress.

In the baking industry, for instance, Eagle-Picher's Fabricon Products Division has been a major supplier of wrappers for more than 40 years. The latest of these is Fab-Wrap polyethylene which assures appetite appeal, freshness and economy in one transparent package.

The ability of Fab-Wrap polyethylene to resist

heat, grease, chemicals, and tearing, makes this material particularly suited for packaging products where shelf-life and sales-display are of primary importance. Among these are many familiar items marketed by the paper and textile industries.

Understanding of other manufacturers' production and distribution problems have made Eagle-Picher a preferred source of basic materials and components in dozens of industries. Our manufacturing and research facilities have proved that they successfully supplement those of our customers. We welcome inquiries.



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AND PRINCIPAL PRODUCTS**



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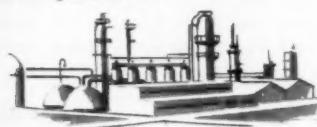
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FABRICON PRODUCTS

Waxed paper, polyethylene and cellophane wrappers ★ "Lamin-Art" decorative plastic sheets ★ Molded plastic parts ★ Custom impregnated papers, textiles and glass cloth ★ Automotive parts, such as door trim panels, trunk liners, dash insulator mats and glove boxes.



INSULATION DIVISION

Insulating cements, blocks, blankets, felts, pipe covering ★ Diatomite filter aids, aggregates, absorbents, catalyst supports.



THE OHIO RUBBER COMPANY

Molded and extruded rubber parts for the automotive, agricultural equipment, electrical appliance, toy and other industries ★ Natural, synthetic and silicone rubber products ★ Semi-pneumatic tires ★ Flexible vinyl parts ★ Rubber-to-metal parts ★ Polyurethane products.

with reputations to protect, are understandably reluctant to lend their hard-won status to a new underwriter of less than proven integrity.

• **Brokers' Friend**—Nevertheless, the major underwriting firms or, in some instances, NYSE houses that do nothing but brokerage and are not equipped to manage a new issue financing, are important sources of new business for the small underwriter.

The most frequent reason for such a referral is that some issues are simply too small for a major house to handle. The major underwriters normally require exhaustive and expensive consulting reports on a company before they will undertake a new issue. In fact, consulting, legal, and accounting fees can run to several hundred thousand dollars in a big issue.

Moreover, the buying power that a big house can command would overwhelm many small issues. Rather than risk offending customers by distributing stock in a hot new issue only to an inner circle of favored customers, major underwriters will "farm it out" to a smaller firm that can operate on lower overhead. Favored customers of the originating major underwriter normally get first crack at the stock when it comes out.

Typical of these deals is the 250,000-share offering of Aero Industries, Inc., which Myron A. Lomasney & Co. brought out last May at \$3.30 (it now trades about 5). In this transaction, F. Eberstadt & Co., an old-line house that often acts as a midwife in corporate financing deals, received as a "finder's fee" 15% of Lomasney's net underwriting profit, including 15% of the 20,000 warrants to buy stock at \$3.30 which Lomasney received as part of its commission.

III. Selling the Goods

Once a deal has been landed, it has to be sold. The first hurdle to be cleared in this process is registering the stock with SEC. Usually a team of accountants and attorneys, specialists in meeting SEC's complex and exacting rules for full disclosure, is called in. They write the registration statement, of which the familiar prospectus describing the company and its finances is the most important part.

If the company is small and doesn't really need much capital, it may decide to sell \$300,000 or less of securities and thus escape some of the requirements of a full registration. In "Regulation A" filings, for instance, financial statements need not be certified by independent public accountants.

However, other SEC rules restrict underwriters in their activities in Reg. A deals. Among other things, warrants received in such an underwriting can't



PETER MORGAN of Peter Morgan & Co., now 52, has worked in Wall Street since 1928, but drifted into underwriting only about 10 years ago. He is active both as an over-the-counter dealer and as an underwriter. He has a fund of Wall Street lore at his fingertips and is fond of reminiscing.

be sold for 13 months. Many underwriters, therefore, think twice about what kind of filing they will do when the issue is close to \$300,000.

• **The Red Herring**—Once a registration statement has been filed with SEC, the underwriter is free to distribute so-called "red herring" prospectuses to brokers and to the public. It's called a red herring because of the warning printed in red along the left margin of the cover that "a registration statement relating to these securities has been filed with the SEC but has not yet become effective." On a Reg. A deal, there is no red herring, and an underwriter is barred from talking about the deal until it clears SEC.

The red herring prospectus is the underwriter's basic selling tool. For the small firm, which usually lacks a big distributing system, the problem is to get the red herring into hands of broker-dealers that do have retail distribution and to interest them in selling stock to their clients.

Usually, it's a question of "you scratch my back, and I'll scratch yours." In other words, if you want a share of the hot issues we have, you've got to help me with the slow ones as well.

On any stock he sells, a broker-dealer who is a member of the National Assn. of Securities Dealers receives a commission, whether or not he is a member of the underwriting syndicate. Syndicate members, naturally, get a larger commission than non-members. (On some of the more speculative deals, underwriters have offered all sorts of in-

ducements to brokers, including warrants and free stock.)

• **Relations**—The agreement between the underwriters and the stock-issuing company can take any of three forms:

• A firm commitment, which means that the underwriter binds himself to buy the stock or bonds in a single block from the company at the offering price, less commissions. This is the true concept of underwriting; if the market falls out of bed after the agreement is signed, the underwriter is exposed to the possibility of substantial loss.

• A "best efforts—all or none" contract. This isn't really underwriting at all but rather a sales effort that is compensated by commissions. If all the shares offered are not sold, funds already paid in are returned to investors. This type of deal is universally shunned by large underwriters such as First Boston and Merrill Lynch, but it is common among the small houses.

• Finally there is the straight "best efforts" deal, where the investor has to take his chances on whether, when the issue is sold, all the money the company needs will be raised. If it's not, and the company gets into trouble as a result, the investor suffers.

Setting the price at which the shares are finally sold the public is the underwriter's responsibility; he has to call on all his market experience in making this decision. The usual rule is to price the issue slightly below what other comparable stocks are selling for in the open market—in terms of the price-earnings ratio. But in a number of recent cases, where this rule has been violated, or where the company's earnings haven't lived up to expectations, shares have dropped to a big discount from the issue price.

• **Lining Up Orders**—In selling an issue, SEC rules prevent an underwriter from taking a firm order to buy the stock until the registration statement is fully effective, but he can accept "indications of interest" from prospective purchasers. In effect, these are orders to buy, but there is nothing binding about them.

But a shrewd underwriter can use any number of tricks of the trade. An underwriter in a best-efforts type of deal, for example, can hold back stock—if the sale is slow in moving—after the effective date of the registration statement and use the time to drum up firm commitments to buy.

This is what happened this week in the 166,668-share issue of Terminal Electronics, Inc., a New York company that has been troubled by the accidental death of two top officers recently. J. A. Winston & Co., Inc., the managing underwriter, held the stock from Sept. 19 to Sept. 26, and then was able to

bring out the shares in spite of the sharp break in stock prices.

"The way it turned out," says Joel A. Winston, president, "it was a nice hot little issue."

IV. Keeping It Sold

Once the stock gets into the hands of the public, the underwriter's job is not finished. He must keep the stock sold. For the most part, keeping stock sold consists of assuring a steady flow to the public of market letters, research studies, and news releases about the company. Many underwriters work closely with pet public relations firms in sustaining this flow. With the flood of new issues recently, these post-underwriting sales efforts have been getting more elaborate.

• **Wining and Dining**—In some cases, security analysts and financial editors are wooed with lavish lunches where the company management is shown off. Peter Morgan & Co. used this technique with BarChris Construction Corp., which builds bowling alleys. BarChris, now listed on the American Stock Exchange, was first sold last December at \$6 and traded this week at \$20.

Morgan invited nearly 100 analysts and writers to the posh Harbor View Club in lower Manhattan. At the luncheon, company officers predicted sharply increased sales and earnings, and the stock price enjoyed a sharp run-up in the weeks following.

Morgan's maneuver is not unusual; it's part and parcel of how underwriters operate today.

• **More of a Battle**—The underwriting of small new issues is getting to be a highly competitive business, calling for underwriters to use all their resources. In doing this, of course, underwriters leave themselves open to the potential dangers of overpricing and overselling an issue.

Many critics feel that in the hectic rush to bring new issues to market, the smaller underwriters have taken on commitments far beyond their ability to deliver.

"It's the underwriter's duty to stick with his companies, not walk away once the stock is sold," says a veteran broker. "Some underwriters have brought out so many new issues recently, I don't know how they can tell one company from the other."

This is what worries many Wall Street people. They look on the new issues market as today's "blue serge suit," but they aren't convinced that blue serge will be the fashion a year from now. Several brokerage houses—and investors—have already been stung by overpriced issues, and it is conceivable that a lot more will be hurt if the new issues market should soften.

Wall St. Talks . . .

. . . about Japanese shares sold to fund, Boston funds buying British bonds, Coastal States Gas' high.

Nomura Securities, the Japanese brokerage house that "midwifed" what was possibly the first sale of shares of Japanese companies to a U.S. pension fund, has pulled off another important deal: It reports the first sale of Japanese company shares—some \$300,000 worth—to an undisclosed U.S. mutual fund. The three companies involved are Matsushita Electric, Sony, and Tokyo Shibaura.

Incorporated Investors, which made big profits last year when it bought British steel stocks just before the British elections, has gone to London again. With another Boston mutual fund, Incorporated Income Fund, it has made a \$12.5-million investment in British government bonds, on expectations of a drop in the British bank rate and a subsequent climb in bond prices.

James Sottile, president of Florida's Sottile, Inc., banking and land empire, has backed off from his proposed 2-million-share issue, which has been hanging fire since mid-1959. But Wall Street men feel the closely held company sooner or later will have to sell stock to the public, if only to solve estate-tax problems for Sottile.

Coastal States Gas Producing Co., (OTC) a "special situation" natural gas and oil producer, moved from \$46 to \$49 (a new high) this week, just when the market was dropping to a new 1960 low. Recently it bought 232,500 of its own shares from oilmen Walter McGuire and B. T. Parr; it then resold the stock to a group of 15 mutual funds for a \$2-million profit.

William Zeckendorf's Webb & Knapp upped its stake in International Recreation Corp., owner of New York's Freedomland, despite the latter's financial troubles. W&K has a 40% stock interest in International Recreation, gets a fat rental from Freedomland, and owns a large, nearby tract of land on which it plans a 300-room motel. So it's advancing \$3-million in cash and transferring leases on three New York hotels to International Recreation. In return, it gets \$11-million worth of International Recreation 6% notes and mortgages, plus an option to buy a substantial amount of the company's unissued stock at \$17.50 a share (current price over-the-counter \$7).



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This 500 hp WAGNER Type ZP Tube Ventilated Motor pumps oil from storage to tankers 2 miles away.

Big job, moving petroleum products to market. Standard Oil of California does it well . . . helped, at its El Segundo Refinery, by this 500 horsepower Wagner Tube Ventilated Motor. This explosion-proof motor's job: provide the power to pump crude oil from storage tanks down to the sea—and waiting tankers—two miles away.

Starting oil on a bon voyage is just one of many heavy-duty jobs performed by Wagner Tube Ventilated Motors. They also power big fans, blowers . . . any heavy-duty application that must be operated for long periods of time without a shut down.

These motors have fabricated steel frames that contain a series of tubes (as shown in photo below) through which cooling air is forced by an external blower. Internal blowers, one at each end of the rotor, circulate the warm air inside the motor through ducts in the rotor and stator and around cooling tubes. This effective cooling system holds the operat-

ing temperature of the motor within specified limits to lengthen motor life.

Whatever your motor requirements—large or small, for plant or product—Wagner can supply a standard motor or build a special motor to fit your needs. More than 65 years of constant research and development in electric motor design have made Wagner a name you can depend on. Call your nearby Wagner Sales Engineer for an analysis of your next motor application. There are Wagner branches in 32 principal cities.



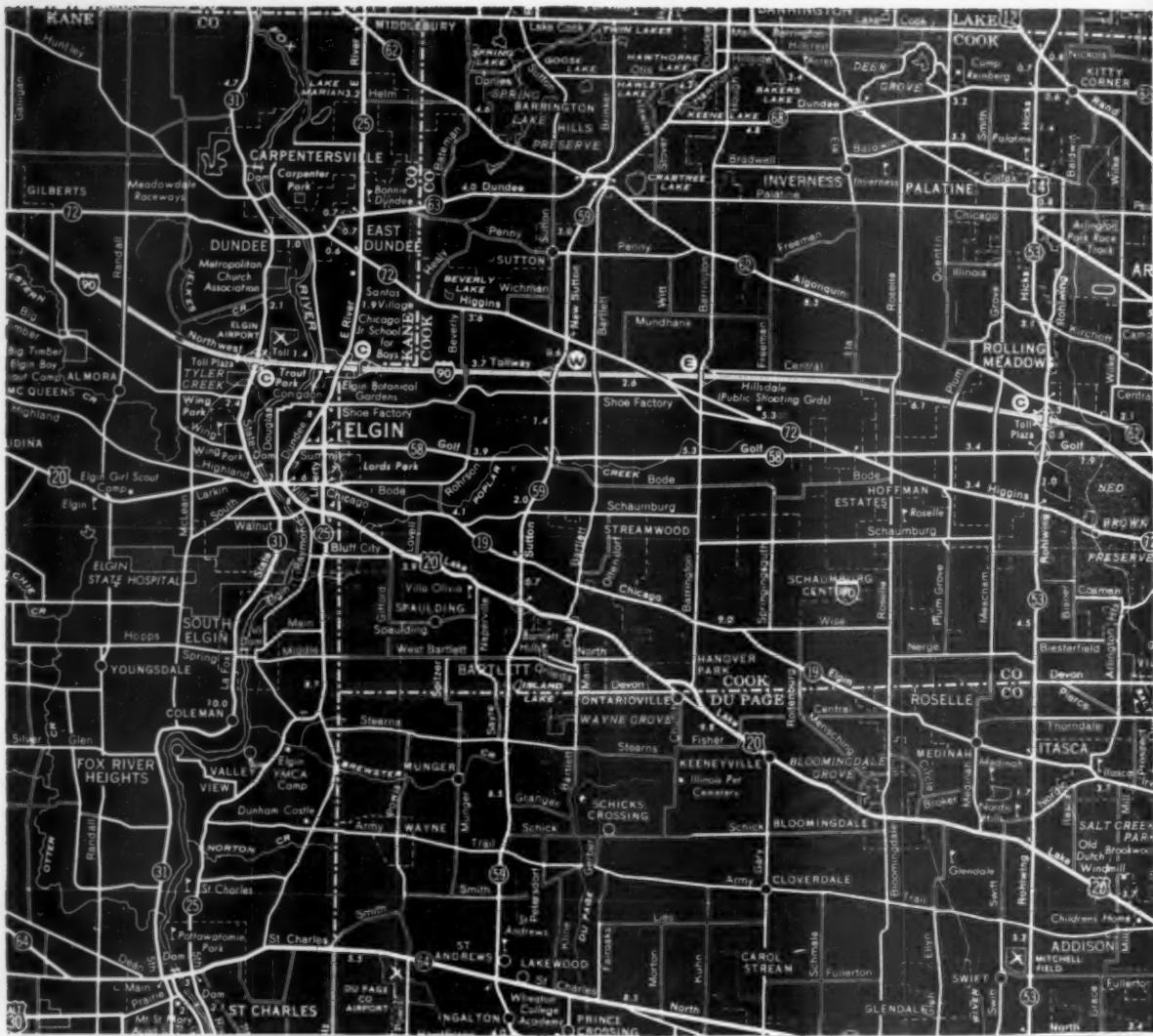
WM60-II

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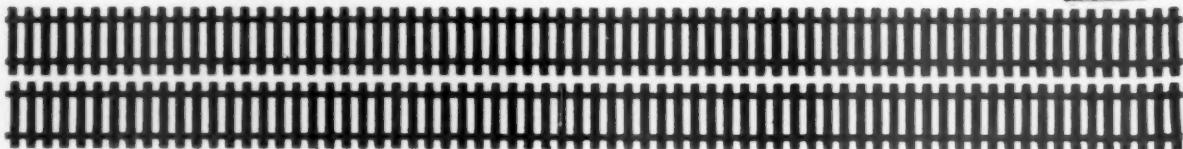
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one double-track railroad (built by private enterprise) can carry the freight traffic of 20 four-lane highways (built with your tax money).

In everyone's interest, public policy should give the railroads the opportunity to compete with other forms of transportation on a fair and equal basis.

In the Markets

Treasury Success in Refunding Move

Tones Up Government Bond Market

The Treasury scored a resounding success this week in its first advance refunding (BW—Sep. 17'60, p121) of securities with seven to nine years to run. At midweek, precise figures weren't available, but predictions were that a total of at least \$4-billion worth of wartime 2½% bonds were swapped for the Treasury's new 3½% issues.

Privately, Treasury officials indicated that this exceeded their first expectations that approximately \$3-billion would be exchanged. A particularly favorable response came from the large life insurance companies—big holders of the bonds. The Prudential Insurance Co., for example, swapped all \$190-million of its 2½%.

The reception has had the effect of clearing the air in the government bond market. The advance refunding hanging over the market had depressed prices. But this week the tone in the bond market was good, with small price advances all along the government bond list. Bond dealers do not expect a sharp rally; price rises earlier in the summer, they say, already discount a substantial easing of money.

The only sore spot in the government market has been in short-term securities, particularly Treasury bills. Treasury bill rates drifted gradually upward—with prices sinking correspondingly—from early August to mid-September. But the climb in rates has been due to technical money market considerations, not to any change in Fed policy.

Now, there are signs that these technical factors—mostly a tightness of funds at the big city banks—are changing, and that short-term money rates may drop once again.

SEC Charges Misuse of Securities

By Partner in Boston Brokerage Firm

The Securities & Exchange Commission took legal action this week against du Pont, Homsey & Co., a Boston-based brokerage house. It charged that Anton E. Homsey, senior partner in the house, had misused some \$550,000 worth of his customers' securities for his own purposes. Homsey was arrested on charges of violating federal securities laws. On the SEC's complaint, a federal court in Boston promptly appointed a receiver for the allegedly insolvent firm.

Du Pont, Homsey had been suspended Sept. 9 from membership in the New York Stock Exchange and American Stock Exchange on grounds that it failed to meet minimum capital requirements.

The SEC now charges Homsey with unlawful hypothecation—or pledging of securities. It says Homsey pledged the securities to obtain loans and, when interest payments were not met, banks and finance firms sold the securities. (Homsey later was balked in raising more funds.)

One of Boston's smaller brokerages, du Pont, Homsey also acted as underwriter of the Edson Smith Fund, a 12-year-old mutual fund, with 791 shareholders. Sale of shares in the fund, whose assets total some \$1.7-million, has also been stopped.

Four Syndicates Get Ready to Bid

On TVA's First Public Bond Issue

A new breed of bond will come to market Nov. 15 when the Tennessee Valley Authority makes its first public offering, a \$50-million issue of power bonds. The flotation is TVA's first step in financing a \$480-million construction program to increase generating capacity. The way for the public offering was paved last year by federal legislation authorizing the authority to have \$750-million worth of bonds outstanding at one time.

Four syndicating teams, meanwhile, have been set up to bid on the bonds, and a spokesman for one of them says the bonds' complexity will make pinpointing the bids a ticklish job. He describes the bonds as "a bit like utilities, a bit like municipals, and somewhat similar to other government agency bonds."

The bonds will be payable from net proceeds of TVA power system operations—which came to about \$100-million in fiscal 1960. Interest will be subject to federal income tax but exempt from state and local taxation.

Murchisons Start Proxy Fight

At Alleghany to Oust Management

John D. and Clint W. Murchison, Jr. of the Dallas oil interests touched off the predicted proxy fight this week to oust management at Alleghany Corp. (BW—Sep. 17'60, p180). They apparently have the support of A. M. Sonnabend, Boston financier, who has been at odds with Alleghany Chmn. Allan P. Kirby, and who claims control of at least 200,000 shares of Alleghany. Sonnabend backed away from a proxy fight with Kirby last year, but says he is still critical of Kirby's management.

The Murchisons filed 14-B forms with the Securities & Exchange Commission, which show that the two brothers and their associates probably command more shares than Kirby personally. Kirby owns 571,000 of the 5.1-million outstanding common shares, warrants to buy 266,340 more shares, plus 10% of Alleghany's convertible preferred.

The Murchisons now intend to solicit votes for a special stockholders' meeting to force changes in Alleghany management. At the least, they hope to pressure Kirby to make changes at Investors Diversified Services, the big and profitable Minneapolis investment company that Alleghany controls. The Murchisons, who hold a big block of non-voting stock in IDS, are critical of Kirby's handling of IDS and his reshuffling of top IDS management. (The Murchisons themselves were ousted from IDS' board Sept. 19.)

Running a company for nine months against seven hot competitors is no game ... even when it is a game

Remember "Monopoly"? Here it is—with a Remington Rand Univac thrown in.

McGraw-Hill's INDUSTRIAL DISTRIBUTION asked 48 distributor executives to make believe for a day. They were split into seven teams, each with the same business assets. The idea: maneuver sales, pricing, purchasing, inventory and so on to get the best position. The game simulated nine months' business.

The "Univac" was referee, spewing out yards of new operating statements after every decision. Says Editor Don McGill, who handled the story: "One thing was sure clear. The decision you make today affects the decision you'll make tomorrow."

Official name of the game was Marketing Management Simulation. Results? First, it isn't enough for management just to be strong

in one or two areas any more—like sales or production. Second, the more action in a market, the more help you'll get from market research. Third, one-man companies are old hat; today the trick is to delegate the right authority to the right men.

Why was INDUSTRIAL DISTRIBUTION playing games? To learn more about the making of decisions in business. "After all," says McGill, "business is our business."

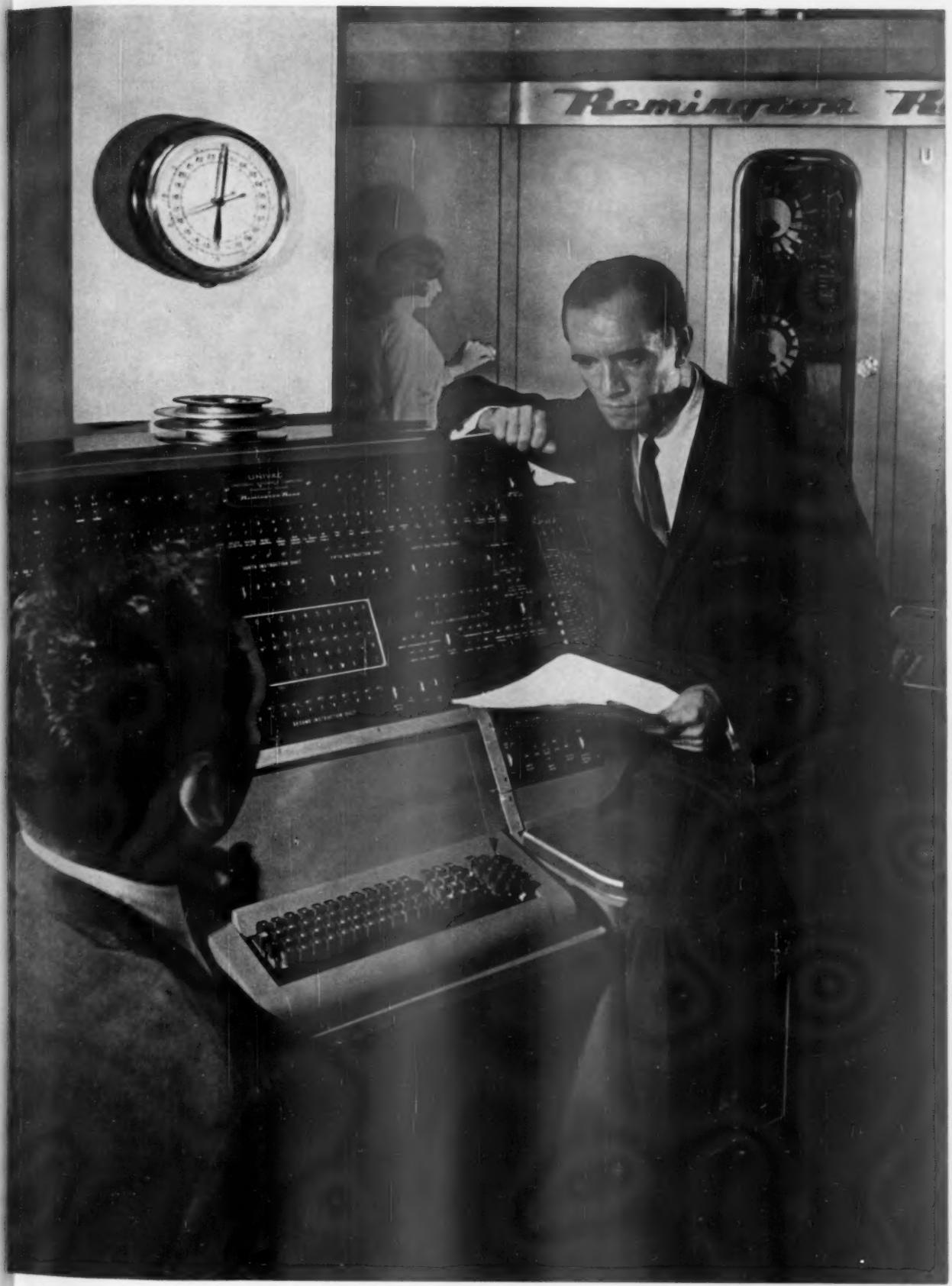
This thinking is one reason why McGraw-Hill operates the world's largest business news network—why its editors know their fields—and why over 1,000,000 key businessmen pay to read McGraw-Hill publications.

If, as an advertiser, you've wondered which publications your market really reads, this may be a clue.



McGRAW-HILL PUBLISHING COMPANY, INC., 330 WEST 42nd STREET, NEW YORK 36, N.Y.

The story was Don McGill's for INDUSTRIAL DISTRIBUTION: 48 distributors on a busman's holiday spent hours competing with each other just as in real business—with a Univac to "keep score." What did ID readers learn from this experiment? Says McGill: "We feel a capsule business experience like this gave readers not only a look at how others make decisions—but even a few pointers that may be helpful in their own operation. It was no game for kids." The winners? INDUSTRIAL DISTRIBUTION's subscribers—and advertisers.





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Wherever paper is, it performs a real service—like protecting and identifying products, giving information or carrying a message. It costs little, works hard and is important in everyone's life. It's part of our job at Champion to make papers that do this and more because, as papermaking specialists, we are continuously alert to new ways to make good paper great. And, as you know, Champion Sets the Pace in Papermaking.



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PERSONAL BUSINESS

BUSINESS WEEK
SEPT. 24, 1960



The Nixon-Kennedy debates, beginning Monday, highlight a television season that should be surprisingly good—if you're a selective viewer.

The four debates, one hour each on all TV networks, run Sept. 26, Oct. 7, 13, and 21. And politics, history, and current events will get lively treatment on other shows, too.

Close-up! (American Broadcasting, starting Sept. 27) is a series of one-hour documentaries produced by John Daly, covering such hot topics as prejudice in the North, featherbedding in industry, and the "true" story behind fund-raising drives. CBS Reports (Columbia Broadcasting, beginning Oct. 11), with top commentator Edward R. Murrow, probes along similar lines—the first show focuses on the Polaris missile. **White Paper** (National Broadcasting, starting in October), a one-hour series, will feature the Huntley-Brinkley team discussing such controversial subjects as the U-2 incident, the "inside" of public relations, and censorship pro and con.

The Witness (CBS, starting Sept. 29), a David Susskind production, will stage imaginary courtroom scenes involving Huey Long, New York's Jimmy Walker, other famed figures. **Our American Heritage** (NBC, Oct. 21) will look at the lives of great citizens.

The Nation's Future (Nov. 12) is NBC's ambitious idea for face-to-face talks between world leaders—plan is to pair off Nehru and Chou En-lai, Ben-Gurion and Nasser, and Eisenhower and Truman. **The Winston Churchill series** (ABC Nov. 27) could be a TV standout. Documentary dramas will be taken from his memoirs—narration by Richard Burton.

A one-shot attraction to jot on your calendar: **the screening, car by car,** of the National Auto Show in Detroit (CBS, Oct. 16).

There's quite a list of off-beat and egghead shows. **Road to Reality** (ABC, Oct. 10) could be one of the boldest—TV's first inside look at group psychotherapy in action, with few punches pulled. Later, **Project 20** (NBC, Dec. 21) will cope with such subject-ideas as the acceptance of Christ.

On the lighter side, Denmark's Cirkus Schumann—taped abroad—shows off Europe's version of an old-fashioned circus (NBC, Oct. 21). If you're a science-fiction addict, watch for **Tomorrow** (CBS, Oct. 26)—its first show will be **The Thinking Machine**, done cooperatively with Massachusetts Institute of Technology.

Omnibus (NBC, October) is back after a year's absence, with Alistair Cooke hosting again. Its first shows include a Harry Belafonte folk-music festival and a documentary on the White House.

On the dramatic side, the two-hour **Play of the Week** (NTA-TV, Sept. 26) goes nationwide. You'll see Eugene O'Neill's **The Iceman Cometh**, featuring Jason Robards; **The Velvet Glove**, a comedy starring Helen Hayes; William Saroyan's **My Heart's in the Highlands**; and Jean Anouilh's **Legend of Lovers**, with Piper Laurie.

Hour of Great Mysteries (NBC, Sept. 27) has attorney Joseph Welch introducing such attractions as **The Cat and The Canary**. CBS Television Workshop (Oct. 2) will try its hand at "experimental" TV plays. **Shakespeare's Macbeth** should draw a big audience—Maurice Evans and Judith Anderson will star in a two-hour production filmed at Hermitage Castle, Scotland (NBC, Nov. 20).

Football this fall gets good coverage. The new professional American Football League (New York, Boston, Buffalo, Houston, Dallas, Denver, Los Angeles, Oakland) has two games on camera each Sunday—one East, one West (ABC). The National Football League's Sunday games will be telecast

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
SEPT. 24, 1960

on a regional basis (CBS), and three dates nationwide—Thanksgiving, Nov. 24, Green Bay Packers-Detroit; Dec. 10, Packers-San Francisco; and Dec. 17, Packers-Los Angeles.

College football (ABC) is on Saturdays, as usual. Nationwide TV games: Sept. 24, Michigan State-Pittsburgh; Oct. 1, Syracuse-Kansas; Oct. 8, Washington-Stanford; Oct. 22, Notre Dame-Northwestern; Nov. 12, Ohio State-Iowa; Nov. 24, Texas A&M-Texas; Nov. 26, Army-Navy; Dec. 3, Duke-UCLA.

—•—

Automatic-exposure controls for still cameras—a boon to amateur photographers—are being unveiled this week at the 1960 Photokina show in Cologne (Sept. 24-Oct. 2).

All you need to do to take a picture is select your shutter speed and then press the shutter release. The control device automatically selects a diaphragm aperture that matches the selected speed with the available light. If the light is too dim or too intense, an indicator registers a warning in the viewfinder—you then adjust your speed accordingly.

First cameras equipped with the control are the Agfa Optima II-S, at slightly under \$100, and the Kodak Retina Automatic III, at about \$130.

—•—

Cadillac has scotched rumors that a small model—something like Ford's Thunderbird—would appear in 1961. All models will be standard size, but slightly shorter (3 in. trimmed from 1960's 225-in. length) so they can fit garages better. One sedan model will shrink 7 in. to a "low" 218 in. Prices, now \$5,000 to \$10,000, will be a bit higher.

—•—

Sea-air cruises to Europe are catching on—you sail over, fly back. Newest of these is a series of fall tours packaged by American Export Lines and Trans World Airlines (TWA). Rates for three-week cruises—sailing on the liners Independence or Constitution, returning TWA—run from \$761 to \$1,272 first class per person.

Note that on Oct. 1 you can fly transatlantic at special excursion rates—for example, a 17-day round-trip fare from New York to London is \$320 regular flight, \$350 by jet. But don't count on reductions in basic fares for international flights—airline executives privately predict that's still far off.

—•—

If you're interested in the gourmet side of big game—such treats as elk steak or roast buffalo meat—place your order with the Wichita Mountains National Wildlife Refuge, Cache, Okla., and get delivery on-the-hoof or butchered. In family-style cuts, half an elk costs \$65, half a buffalo, \$110.

For more information, contact the Fish & Wildlife Service, Interior Dept., Washington 25, D. C. It will send details of other refuges selling game.

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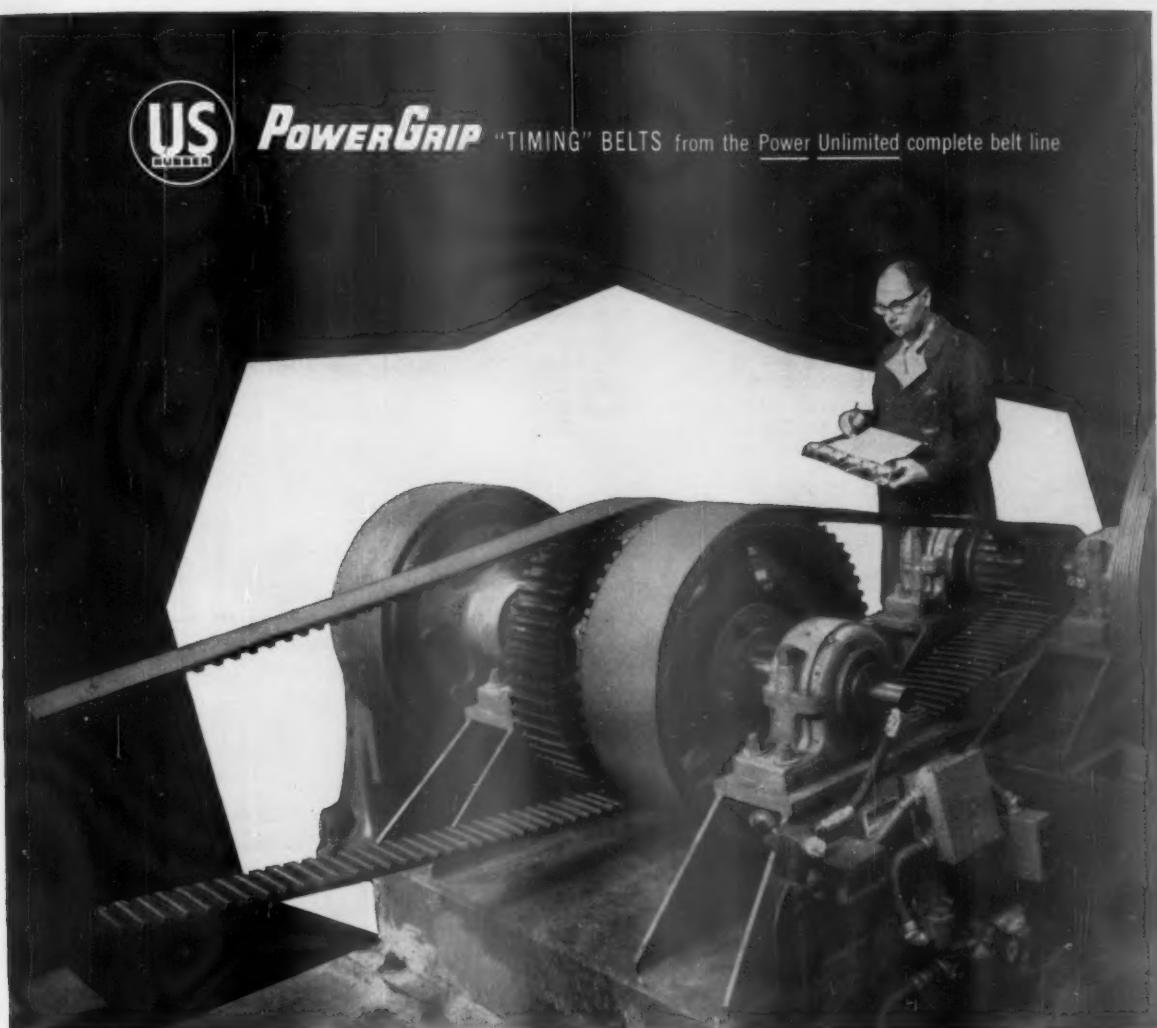
Election Primer: Know Your Candidate, by Nelson E. Taylor, is an effort to discard political opinion and bias in favor of fact and objectivity. It gives equal space to Nixon and Kennedy in a comparative analysis of their actual statements and voting records (Whitestone Press, 21 Collegeview Ave., Poughkeepsie, N. Y., \$1).

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POWERGRIP

"TIMING" BELTS from the Power Unlimited complete belt line



Sun Oil Company obtains positive results with U.S. PowerGrip "Timing" Belts

The octane requirements for cars are determined by the Sun Oil Company with scientific accuracy. The octane ratings of motor fuels are in turn determined with precision. Nothing is left to chance. This is why the motorist can pull up at a Sunoco station and obtain the correct octane blend for his car.

All of this predetermination is done on precision equipment whose universal

joint drive shaft is connected to a dynamometer by a 1 1/4" pitch U.S. Rubber PowerGrip "Timing"® Belt. In the words of a company scientist, these belts were selected because they give foolproof, positive drive transmission and do not require lubrication, maintenance or attention. Anything less would interfere with the precision of the testing equipment. This is the experience that has caused innumerable

design engineers to specify PowerGrip.

This is the belt that has made possible the development and production of hundreds of appliances and equipment, ranging from sensitive electronic devices, office machinery, household equipment and gigantic production machinery. One way to get expert and instant power and transmission advice is from the U.S. Distributor.



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United States Rubber

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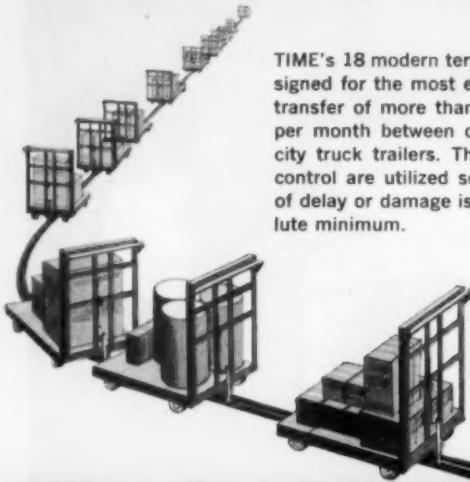
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IT UTILIZES THE MOST MODERN FREIGHT HANDLING METHODS



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MODERN LINE EQUIPMENT WITH SCHEDULED AVAILABILITIES



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NEW PRODUCTS



Phone in Kitchen...



...To Answer Door

In the pictures, the housewife is talking to a delivery man at the front door by means of a fancy new household intercom system that Bell Telephone System will soon be offering to supplement basic telephone service.

The system, called Home Interphone, consists of three (more or less if desired) special phones and separate loudspeaker units hooked up to a transistorized central control and power transformer. With it, you can answer the front door, talk from room to room, page people to the phone, and keep tabs on the baby or a sick person in a different part of the house—as well as make regular phone calls.

In each room you want linked to the Interphone, you place one of the phones and a speaker unit. The phones have small microphones in their bases and two control buttons—one of which holds outside calls (while you're paging someone to the phone, for example), the other selects an inside or an outside line. A combination-speaker-micro-

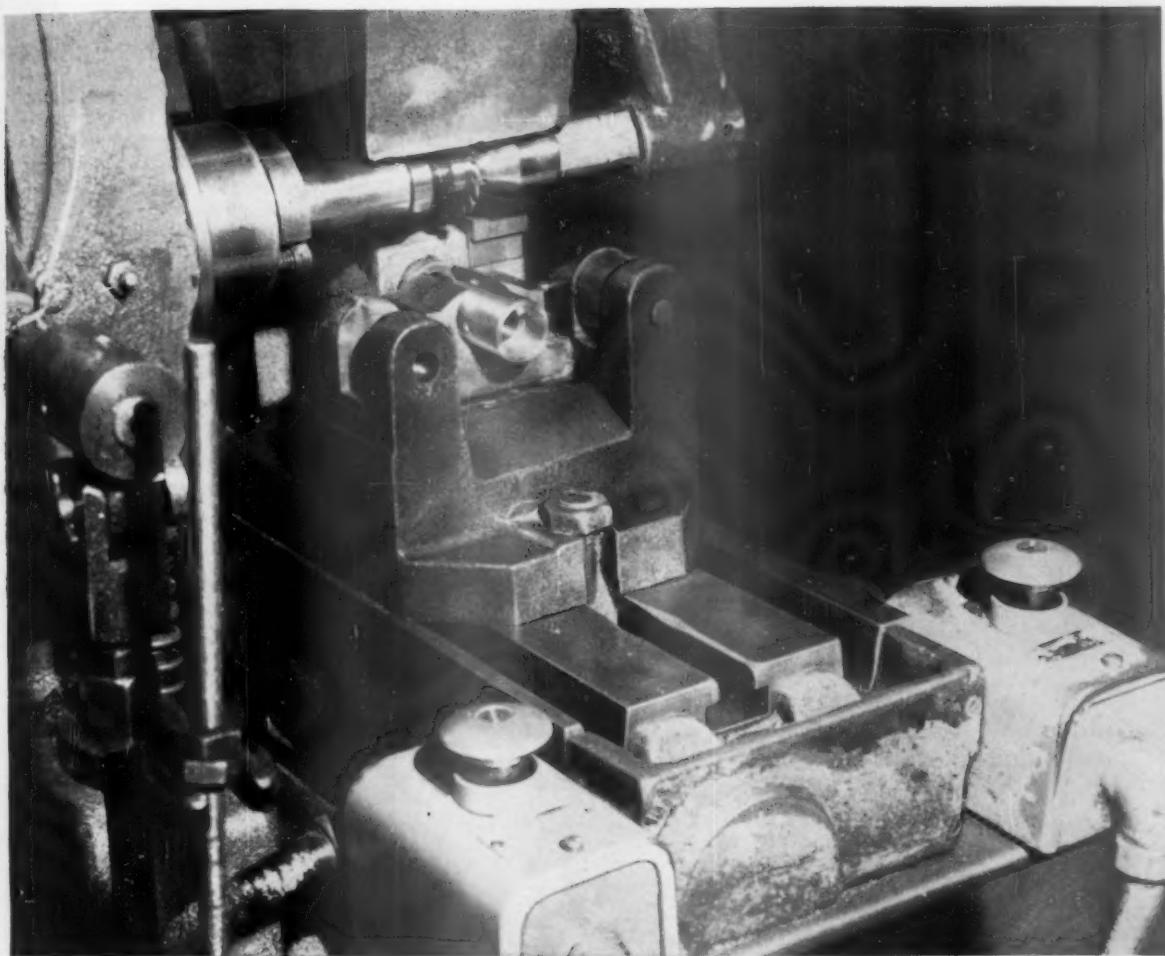


Photo courtesy The Maytag Company

Aristoloy Leaded 8620 cuts tool changes 50% on wringer drive sleeve for **Maytag**

Has working time been reduced? Yes.

In what way? The use of Aristoloy Leaded* has increased tool life and reduced downtime for tool changes.

Has machining been improved? Yes.

What inherent quality in the steel is responsible for improved machining? A more uniform, satisfactory microstructure provides better machining characteristics.

What operation is performed? Automatic screw

machines bore, counterbore and cut off. Secondary operations include milling, drilling, internal and external grinding after carburizing.

For complete information about Aristoloy blooms, slabs, billets and bars, in carbon, alloy, stainless and leaded, call the Copperweld representative in your nearest large city—or write for NEW PRODUCTS & FACILITIES CATALOG.



*Inland Leadoy license



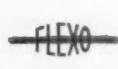
DIVISION OF
**COPPERWELD
STEEL COMPANY**



wire and cable



stainless strip



fine wire



steel tubing



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MEMBER: FEDERAL RESERVE SYSTEM
FEDERAL DEPOSIT INSURANCE CORPORATION
BANKERS ASSOCIATION FOR FOREIGN TRADE



phone mounts near the front door. The control box and transformer can be put out of sight in the basement.

Bell is making the phones for the system in three styles: the conventional desk set, a wall-mounted model like the one in the picture, and the new Princess phone. All come in several colors.

The Interphone will be available in the New York area by the end of 1960; and nationally in early 1961. Bell's suggested price: \$25 for installation plus \$6 a month over the rate for basic service.

Simultaneously, the telephone companies will make available the Bell Chime. This is a gadget that's installed some distance away from the telephone and can be set to summon you to the phone with a soft ring, a loud ring, or chimes. It will probably cost \$5 to install plus 65¢ a month over the basic rate.



Scooter Joins Surreys

The little touring scooter in the picture is only one of several "surried" run-about now on the market, perhaps in response to the popularity of Willys Motors' Jeep Surrey (BW—Oct. 10'59,p65). Presently, they're used mostly for sight-seeing service and shopping center transportation.

The scooter above is a four-passenger "Nassau Surrey"—a standard gasoline-powered Cushman 780 Truckster outfitted with special flooring, side curtains, surrey top, entrance step, and passenger and driver seats. These additions to the Cushman Truckster come in a special Nassau Surrey conversion kit, available from Cushman dealers for \$250. The cost of the basic Truckster chassis is about \$750.

Another similar vehicle is made for supermarkets by Surrey Service Co. of Minneapolis. It has space for four passengers and the driver, and pulls a second flat-bed-type trailer that can be loaded with ten shopping carts. By installing seats on the trailer, the surrey could be used for touring as the Cushman Surrey is. END

**ANOTHER REASON FOR CHOOSING
OWENS-ILLINOIS CORRUGATED BOXES**



MR. STRONGBOX

An Owens-Illinois trademark

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Kansas City, Mo.
Salisbury, N. C.

Long Island City, N. Y.
Los Angeles, Calif.*
Madison, Ill.
Memphis, Tenn.
Mercedes, Texas
Miami, Fla.
Milwaukee, Wis.
Minneapolis, Minn.
Newark, N. J.
Oakland, Calif.*

*These plants operated by National Container Corporation of California, subsidiary of Owens-Illinois.

**How Owens-Illinois controls inks—precisely,
for boxes that sell for you**

In this picture you see over 200 million pigment units, so fine they do not even cover the head of a pin.

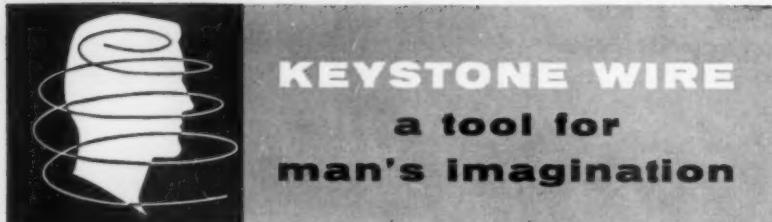
A basic ingredient of good printing on corrugated boxes is uniformly high pigmentation of the ink. This is one of the reasons why Owens-Illinois makes its own inks, keeping them to stringent specifications under microscopic control.

The direct benefit to you: better printing for your boxes, giving greater impact to your sales message and brand name. Another Owens-Illinois advantage at no extra cost.

We have a plant near you and if Owens-Illinois can't package your product in corrugated, nobody can!

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man's imagination

how to
make the
right
connection...

Keystone Spring Wire gives Ideal "Wire-Nut"
connectors a wire crushing grip that never lets go.**

When there is electrical wiring to be done, Ideal Industries, Inc., at their Petersburg, Illinois, plant, have the right connections with their solderless and tapeless "Wire-Nuts"—made with Keystone MB Spring Wire.

Ideal uses Keystone Wire to form taper-shaped, copper-coated coil springs with close dimensional tolerances.

Coils seat perfectly and are securely contained in plastic shells. So strictly are these wire springs held to exact specifications that circuit and fixture connections are made quickly and permanently and at lowest wiring costs.

"Wire-Nuts" are screwed onto the wire like a nut on a bolt exerting a 2½-ton force which distorts the wires and increases the contact area four times. This results in actual greater current carrying capacity than the wire itself.

If you want to make the right connection, too, may we suggest a further study of Keystone Wire to fit your needs. See your nearest Keystone Wire representative, or write us for details.

*Reg. TM Ideal Industries, Inc.



Keystone Steel & Wire Company, Peoria, Illinois

KEYSTONE

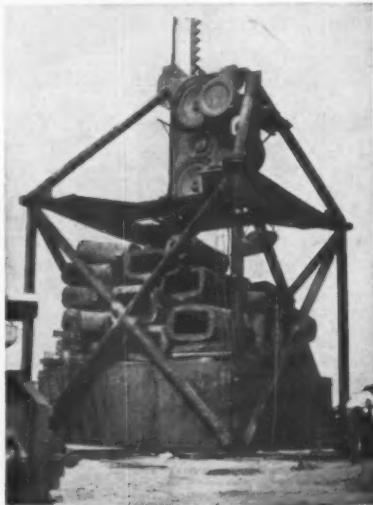
Cold heading and forming wire for industrial uses



Electronic Traffic Cop

Shown mounted on a utility pole for demonstration in Denver, Colo., this boxlike device may replace the traffic cop at intersections. Its "eye"—an infrared-sensitive tube—spots and counts cars traveling up to 80 mph., tells the traffic light when to change, depending on traffic flow. The device was developed by the Heiland Div. of Minneapolis-Honeywell Regulator Co.

This is said to be the first electronic traffic detector using an infrared ray principle. Radar-actuated systems have been doing the job in some cities for several years.



1,000-Ton Lift

This new electric elevator is undergoing tests at the Longview (Tex.) plant of R. G. Le Tourneau, Inc. The picture shows it lifting 1,000 tons of steel—the equivalent of about 570 automobiles. Le Tourneau will use it to raise and lower the mobile offshore drilling platforms it manufactures.

DOOR-TO-DOOR DELIVERY IN A FEW HOURS DAY OR NIGHT VIA UNITED AIR FREIGHT

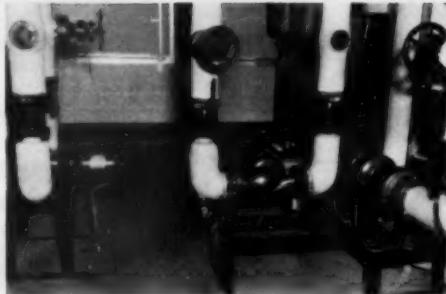
Even coast to coast, fast United Jets can give you same day or overnight delivery. And since United Air Lines carries freight on all flights—passenger as well as fast Cargoliners—you have a wide choice of schedules with direct service to 72 U. S. cities. You can reserve space for your shipment to be sure of delivery when needed—airport to airport or door to door. Every shipment receives *extra care* handling. United also can serve you overseas and anywhere in the U. S. A. on a single airbill through extensive interline agreements. Call any United Air Lines office for fast, reliable shipping service . . . for Reserved Air Freight at no extra charge.

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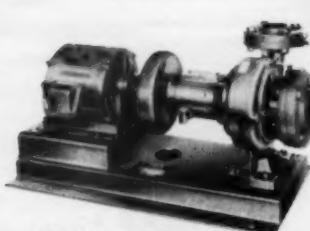


B&G pumping system slashes operating costs in huge heat pump installation



One of the zone pumping stations for circulating heating and cooling water with B&G Universal Pump and Booster Pumps.

Architects: Kenneth W. Brooks, A.I.A.
Bruce M. Walker, A.I.A.
Mechanical Engineer: Wood & Landerholm
J. Donald Kroeker & Associates—Consultant
Mechanical Contractors:
Warren, Little & Lund, Inc.



MAG Universal Pump



B&G Booster Pump

In the Washington Water Power Building, Spokane, Wash., the world's third largest heat pump installation both heats and cools the building. The heat pump draws water from a deep well and discharges into an ornamental pool which also serves as a reservoir for automatic sprinkling of the grounds.

The system combines all the advantages of the heat pump with the economies made possible by the method of primary and secondary pumping developed by Bell & Gossett engineers. This method materially reduces the pump horsepower required with consequent lower operating cost.

Five B&G Universal and twenty-one B&G Booster pumps are used as circulating equipment. These pumps are designed and built specifically for systems using water for heating and cooling. They are distinguished by quiet, vibrationless operation and long life. They can be installed without flexible connectors or noise dampeners of any kind.

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Heat Exchangers



Oil-less Air Compressors

REGIONS

July Incomes Fall Off Slightly

Personal income for nation as a whole dropped 1.6% from June to July. July gain over year ago is a slim 2%.

In July, while most economic crystal gazers were trying to puzzle out which way the economy was drifting, American pocketbooks already were starting to feel a slight pinch. Between June and July, according to BUSINESS WEEK Measure of Personal Income, incomes declined in 24 states. This produced a month-to-month dip for the nation as a whole of 1.6%.

July incomes showed a 2% gain over the same month last year, although the latter was abnormally good because of the push preceding the steel strike in the first two weeks. Still the 2% rise is the smallest yearly gain since August, 1958.

• Soft Spots—Over the year, employment in trade, services, government, construction, and finance posted an aggregate gain of more than 800,000 jobs, smothering the manufacturing and mining losses of 215,000. But the soft spots that worried the economists appeared in the month-to-month comparison: With the exception of construction and finance, every major category of nonfarm employment reported fewer employees in July than in June.

Hardgoods industries dropped 171,000 production workers in one month as the slump in primary metals began to spread to the metalworking industries. Higher average weekly earnings in manufacturing, however, helped to soften the blow in some states.

The slump in hardgoods activities was reflected in the income figures for many of the big industrial states. Pennsylvania, with its heavy concentrations of steel mills and metal products, was particularly hard hit. Weaknesses showed up in Illinois, Indiana, Michigan, Ohio, California, and New Jersey.

• The Gainers—There were some bright spots in the personal income picture, however. States that shared in the better-than-ever tourist business this year—Arizona, Florida, Hawaii, Nevada, and some New England states—all managed to post impressive gains over the year, and also showed some improvement from June to July.

Delaware, which scored the best year-to-year gain, 16.4%, owed its fortunate position to a fluke that occurred when two of the state's three racetracks were open at the same time. In previous years, the dates did not overlap. (For a look at one state, Kansas, see page 170.)

MEASURE OF PERSONAL INCOME

STATE	1953-55 AVERAGE	Millions of Dollars			% CHANGE VS. YEAR AGO
		JULY 1959	JUNE 1960	(Seasonally Adjusted) JULY 1960	
Alabama	\$286.4	\$405.2	\$420.3	\$429.3	+ 5.9%
Alaska	41.9	59.5	60.2	59.6	+ 0.2
Arizona	126.9	208.1	228.9	235.6	+ 13.2
Arkansas	153.5	202.9	208.5	212.9	+ 4.9
California	2,341.7	3,331.3	3,702.9	3,612.0	+ 8.4
Colorado	217.2	343.9	346.4	345.8	+ 0.6
Connecticut	440.7	591.4	612.0	630.7	+ 6.6
Delaware	78.6	112.2	128.0	130.6	+ 16.4
District of Columbia	158.2	193.1	196.3	196.9	+ 2.0
Florida	456.8	784.3	856.0	878.7	+ 12.0
Georgia	383.2	518.3	559.9	551.5	+ 6.4
Hawaii	76.0	103.2	113.5	119.0	+ 15.3
Idaho	74.5	100.2	107.4	105.6	+ 5.4
Illinois	1,677.5	2,215.0	2,260.5	2,275.2	+ 2.7
Indiana	663.5	850.5	907.4	892.7	+ 5.0
Iowa	357.3	467.4	487.6	487.9	+ 4.4
Kansas	281.8	364.8	376.2	388.9	+ 6.6
Kentucky	307.1	370.9	399.6	394.5	+ 6.4
Louisiana	318.3	441.3	453.4	460.9	+ 4.4
Maine	112.8	141.0	152.7	155.0	+ 9.9
Maryland	432.3	559.6	620.2	611.3	+ 9.2
Massachusetts	799.8	1,042.5	1,098.6	1,115.8	+ 7.0
Michigan	1,234.1	1,552.6	1,639.5	1,626.4	+ 4.8
Minnesota	434.8	575.1	612.7	613.3	+ 6.6
Mississippi	160.9	216.1	215.7	220.5	+ 2.0
Missouri	600.9	758.9	816.8	806.0	+ 6.2
Montana	92.3	110.9	113.4	112.8	+ 1.7
Nebraska	182.5	240.2	254.0	239.5	- 0.3
Nevada	43.1	63.9	74.7	72.7	+ 13.8
New Hampshire	75.2	95.2	102.2	102.7	+ 7.9
New Jersey	982.9	1,290.6	1,321.0	1,358.9	+ 5.3
New Mexico	91.8	134.3	146.3	146.1	+ 8.8
New York	2,887.9	3,659.7	3,932.3	3,945.3	+ 7.8
North Carolina	429.0	587.2	637.4	638.8	+ 8.8
North Dakota	67.4	86.0	89.0	92.3	+ 7.3
Ohio	1,476.3	1,920.7	2,035.8	2,016.8	+ 5.0
Oklahoma	268.5	338.8	376.2	379.8	+ 12.1
Oregon	249.8	317.7	336.7	328.7	+ 3.5
Pennsylvania	1,678.6	2,125.2	2,197.3	2,177.7	+ 2.5
Rhode Island	129.9	158.1	167.4	167.8	+ 6.1
South Carolina	210.0	267.4	294.8	292.6	+ 9.4
South Dakota	73.7	98.4	99.1	101.4	+ 3.0
Tennessee	345.9	450.5	482.9	480.0	+ 6.5
Texas	1,132.9	1,470.0	1,530.2	1,528.8	+ 4.0
Utah	98.1	142.8	155.1	155.5	+ 8.9
Vermont	45.9	58.6	61.3	61.1	+ 4.3
Virginia	383.3	570.0	620.2	618.4	+ 8.5
Washington	418.0	523.2	558.7	556.8	+ 6.4
West Virginia	209.7	266.0	266.9	267.8	+ 0.7
Wisconsin	528.2	674.4	722.4	728.2	+ 8.0
Wyoming	45.9	57.2	59.7	59.1	+ 3.3
NATION	\$24,363.5	\$32,185.9	\$34,216.2	\$33,685.0	+ 2.0

July, 1960, preliminary; June, 1960, revised

BUSINESS WEEK

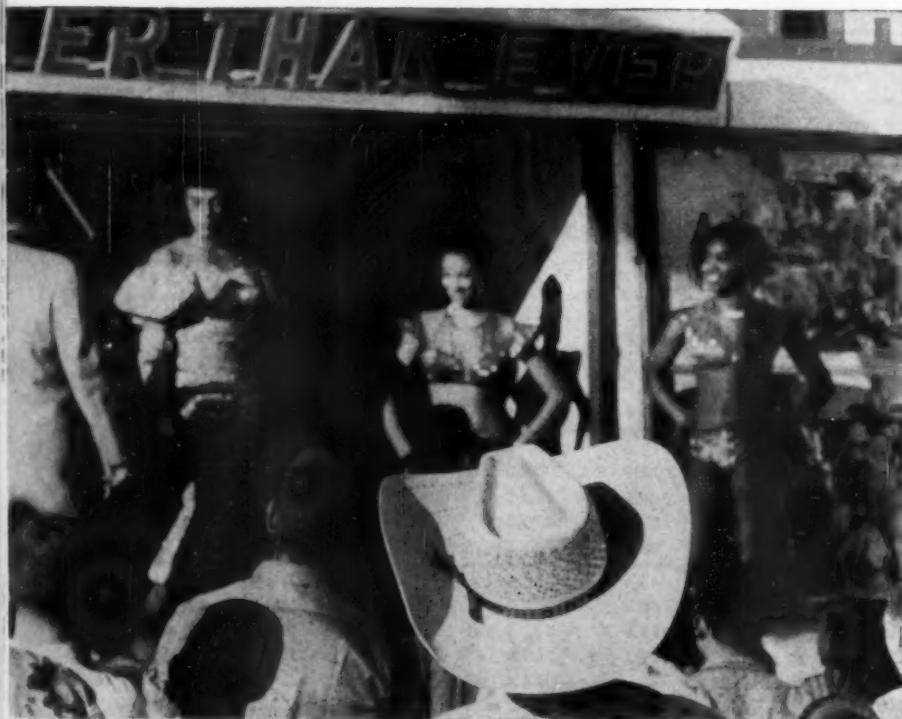


MID AMERICA FAIR in Topeka had its midway, humming with prosperity.



SERIOUS BUSINESS of the fair included judging of cattle raised by 4-H Club youngsters as well as by adults. Sunday was the one big day for farmers to visit the fair.

Kansas Cheered by Bumper Crop



GIRLIE SHOWS are an inevitable part of the midway. Farmers were notably freer in spending for such attractions than city folk; Kansas is in an industrial slump.

It was Sunday at the Mid America Fair in Topeka (pictures). Through the roar of the roller coasters, the barkers were shouting: "Get your red hots, get 'em while they're hot." "See Lolita, the girl with more movements than a 21-jewel watch." "Soda pop, here."

From all over Kansas, thousands of farm folk last week had come to mill with the city crowds on a midway that smelled of hay and mustard and cotton candy. Sheepish grins cracked the farmers' ruddy, tough faces as they passed the girlie shows. They sat for hours to watch 4-H boys carefully showing their steers and heifers to the judges. After some coaxing, they even laughed for a vaudeville comic.

• **Crops and Politics**—In their carefree mood, the farmers acted as if this year they have few reasons to frown. They have been hit by rising costs and lower prices. But they have just harvested the fourth largest wheat crop in Kansas history. Even growers who had bad luck with the weather—and only heard about the others' fantastic 50-bu.-per-acre yields—found consolation in the fine sorghum grain crop they were getting ready to bring in.

The mood of the farmers in Kansas can, in a Presidential race as close as this one, mean the difference between



FARM IMPLEMENTS were exhibited, but farmers didn't rush to place orders.

Crop of Wheat

winning and losing. The Wheat Belt is traditionally Republican, but the Democrats have made significant inroads in recent years. This area has been more hostile than any other toward Secy. of Agriculture Ezra Benson, and both parties wonder how much of this will rub off on Vice-Pres. Nixon.

• **Political Slants**—Talks with Kansas wheat farmers at the Topeka fair and in their own fields reveal considerable strength for Sen. John F. Kennedy. But they also show strength for Nixon, both among those who regularly vote Republican and among those who oppose Kennedy on religious grounds.

Because their receipts from this year's crop may make farmers feel more charitable toward the world—and toward politicians—observers feel that the party already in the White House is more than likely to benefit. But it is still early in the campaign; much may happen before November.

I. Saved by Wheat

This year's good wheat harvest comes most opportunely at a time when industry is sluggish. The money that

WILLIAM KOZAK, who has 220 acres, shows off sheaf of wheat for judging.



Rockwell Report



by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

ANY serious reading of an annual report or a profit and loss statement serves as an excellent reminder of a key business fundamental: the most important single function of corporate management is the management of money. Yet this simple fact of business life is sometimes overlooked by men charged with management responsibility.

Most executives are elevated to top line positions because they achieved success as management specialists in sales, engineering, production, design, purchasing and other functions. All too frequently, they have a common weakness—an inadequate working knowledge of money and how to manage it. Because they do not comprehend the financial aspects of their responsibilities, they "delegate" the control of this important management function which, in the last analysis, simply cannot be delegated.

In the course of our company's growth in recent years, and as the nature of our operations has become more complex, this potential management weakness has been given increasing attention. Consequently, we have taken steps to anticipate these deficiencies by training and educating our younger men. Such training can take many forms: periodic dissemination of up-to-date information on the changing financial aspects of the company; frequent interpretation of this information in its relationship to the management specialist's area of responsibility; seminars on broad aspects of money management; attendance of university extension courses in finance and money management.

None of these, however, is worth very much unless the individual manager can be induced to acknowledge his deficiency and be motivated to correct it.

It's worth an investment of considerable time, because it helps a company in its pursuit of another business fundamental: when a management vacancy occurs, promote a qualified man within the organization.

* * *

One way we broaden the background of our design engineers involves their presentation of new product proposals to the Product Committee. Instead of simply providing engineering data, they must also discuss sales history of the market, competition, costs, distribution problems and anticipated profit. They must gather this information by working with market research, cost accounting, sales and other departments. In the process, they become better businessmen as well as better engineers.

* * *

In spite of, maybe because of, all the publicity given the "record" profits of business and industry, a large segment of the public does not distinguish the difference between profits expressed in inflated dollars, and profits as a per cent of sales or as a per cent of invested capital. Few people realize, perhaps, that during the inflationary fifties—while compensation of employees in the United States rose 75 per cent after taxes—corporation profits, after taxes, declined about 13 per cent.

* * *

Another, smaller Turbo-meter, the Model 7M in 10-inch size has been developed by our Petroleum and Industrial Meter Division and is being introduced currently. It has a capacity of 7000 barrels of liquid per hour and is particularly designed for measurement of petroleum products at refineries, on pipelines and for barge loading. Like its "big brother," the successful Model 15M, this meter has the exclusive advantage of a built-in viscosity compensator. It will measure accurately everything from gasoline to heavy crude oil without manual adjustment.

This is one of a series of informal reports on

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farmers are feeding into the economy is especially welcomed in Wichita, which for three years has had to absorb cutbacks in military aircraft manufacturing.

• **Good Weather**—It was well into spring before anyone could believe that this year's wheat crop would approach a record. In central and eastern Kansas, where rains delayed planting last fall, many seedlings didn't grow tough enough to survive the winter. But in western Kansas, planting conditions were right, and there was so much sunshine this spring that the berries grew to magnificent size.

At harvest time, as far as the eye could see, golden heads of wheat waved in the prairie breeze. Areas such as the Garden City region, accustomed to getting 15 bu. or so to an acre, were flabbergasted at 50-bu. yields. When the combines had finished the harvest and rolled up to Nebraska, Kansas had brought in 282-million bu., worth about \$500-million. Only three years—1952, 1958, and 1947—were better, and not by much. Average yield even matched 1958's record of 28 bu. per acre.

• **Prices Dropped**—Once more, Kansas had grown more than 20% of U.S. wheat production, accounting for about one-third of the state's farm receipts. Kansans raise so much wheat because it's easy money: The government puts a floor under the price, and the weather rarely is so foul that a crop fails completely. With such incentives to high production while demand remains stable, it's no wonder the nation's wheat surplus hit 1.3-billion bu. in July, and is still growing.

The government has failed in efforts to cut the surplus by restricting production. It cut the support price, but not enough really to sour farmers on wheat. It cut back the allowable wheat acreage, but farmers simply worked the remaining acres more intensively.

• **Costs Rising**—Although wheat prices have an artificial floor of government support, they also have a natural ceiling—the effect of the huge overhanging surplus of this and previous years. But the farmer's costs have had no such ceiling.

In 1959, when Kansas farmers grossed almost \$1.3-billion, they netted only \$354-million. The last time they grossed that much, in 1952, their net was \$494-million. The difference lay in higher expenses. The net looks even smaller when compared with the growing investments that farmers must make in land and machinery in order to farm efficiently. After allowing themselves something for their labor and management, they often could have done better by investing the money in government bonds.

Still, the price-cost squeeze has not caused extreme hardship. A good indi-

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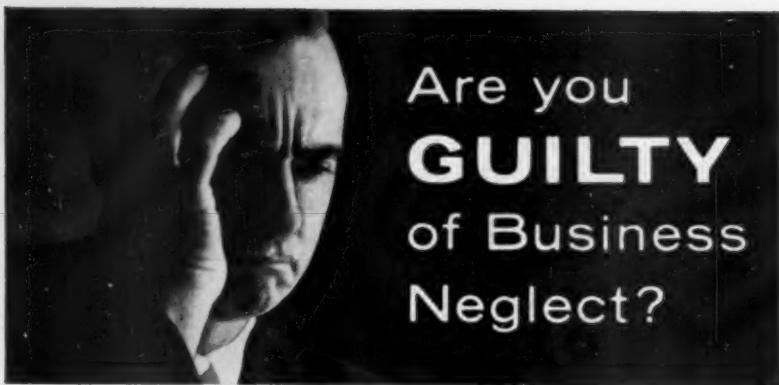
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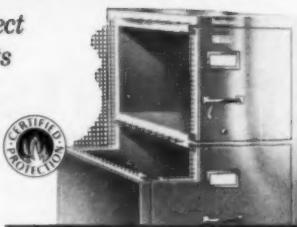
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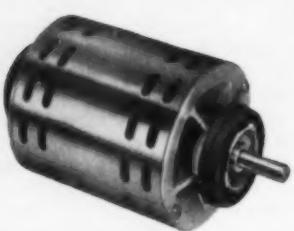


Cut-away shows how each drawer in a Shaw-Walker Fire-File is a safe; heavily fire-insulated on all six sides.

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cator of this is the volume of land sales: very small. Good land only seldom becomes available, such as in settlement of estates, and then it is quickly snapped up. If anyone has been hurt, it is the young farmer who can't even afford the machinery to start as a tenant.

Of course, a good year such as 1960 eases the price-cost squeeze. This is particularly true in western Kansas, where a bumper crop costs little more to produce than a poor one.

II. Effect on the Vote

This prosperity would seem to fit the adage quoted by Alf Landon, Kansan and former Presidential candidate, that "good rains make good crops, and good crops make good Republicans." But, this year, Landon and others wonder if this will be so.

No one used to wonder how Kansas would vote. Traditionally Republican, it had not voted for a Democrat for President since it went for the late Pres. Franklin D. Roosevelt over its own Landon in 1936. Subsequently, the Republican share of the vote has gone as high as 69% in 1952, only as low as 54% in 1948.

But since Pres. Eisenhower's election, Democrats have gained significantly. In 1956, they cut Eisenhower's share to 65%, elected George Docking as the state's first Democratic governor in 20 years, and won the race for representative in the Southwest district. Some political seers attributed these Democratic gains to the drought and the unhappiness it brought. But in 1958, Docking and the congressman were re-elected, and two more Democrats won House seats.

• **The Benson Issue**—In any conversation about current affairs, three topics are bound to come up in the Kansas farm districts: farm policy, the world situation, Kennedy's religion.

Farmers feel strongly about Secy. Benson, though not all one way. You can find Kansans who support him to the hilt, as well as those at the other extreme who say "he's got no brains." The middle ground is held by such men as Eddie Ewy of Arlington, who says: "I admire him for standing up for what he thinks is right, but I can't go along with his thinking."

It's hard to pin down specific reasons for disliking Benson. The farm expert of one bank suggests that what really bothers farmers isn't so much what has happened as what they fear as consequence of the wheat surpluses. They don't like Benson's or anyone else's proposed solution; they don't want stricter controls or sharply lower price supports. Yet they see the futility of continuing to raise more than people will buy.

"You can't get away from the law of supply and demand," says Phil Ehling

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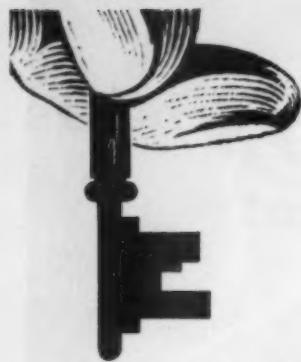
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of Abbyville. Ehling would like to see the government gradually ease out of the farm picture; he says he will vote for Nixon.

William Kozak of Osage City agrees the government should withdraw controls and supports. "If I own my farm," he says, "I know how to operate it." But he, though a former Republican township official, says he will vote to give Kennedy a chance to try to solve the farm problem.

• **The Other Issues**—Farming isn't all that's on the minds of Kansans.

"The world situation concerns me more than the farm problem," says Ehling. And Ewy says he doesn't "just think of how the candidate is going to affect my pocketbook." He feels Democrats have done better by the farmers, but the farm problem isn't everything. So he remains undecided.

The religious issue, sometimes discussed bluntly and sometimes reluctantly, seems to be strong enough so that no major Kansas Democrat is running as a member of "the Kennedy team."

As one candidate says: "I have to save my own skin."

III. More Spending Money

Farmers are well acquainted with the fat years and the lean years, so it's not surprising that they aren't stampeding to spend their newly earned harvest money. They cautiously stepped up their buying, mostly of clothing and home furnishings, months ago when they saw how well the wheat was doing. Since the harvest, their softgoods buying has increased a bit, and they are putting a large share of income into paying off loans.

Dealers in autos, farm machinery, and appliances, on the other hand, are groaning that they aren't even keeping pace with last year. In autos, an equal number of cars are being sold, but dollar volume is down because of the compacts. Farm implement dealers can't figure out why their sales aren't better after three good crop years; they guess farmers want to pay off debt first or else are waiting for the election.

• **Making Do**—One other obvious explanation is the farmers' traditional inclination to make things do until they wear out. Ewy, for example, has 50,000 miles on his four-year-old car but expects to use it for another 50,000. His refrigerator, deep freeze, and range could also stand replacement, but he sees no reason to rush.

Men like Ewy and Ehling like to pay cash for big-ticket items, and that doesn't mean going down to the last dollar. "In 1955-56, I had to borrow to live on," says Ehling. "It was the hardest \$1,500 I ever had to pay back. A drought teaches a fellow that money doesn't grow on trees." END

Minding our own business

BACKSTAGE AT BUSINESS WEEK

Troublemaker. We've been having a little difficulty with a magazine named *Newsweek*. (Perhaps you've heard of it.) Sometimes, when we are introduced as being with *Business Week*, people say, "Oh, yes—the magazine with the 'Periscope.'" Or, "oh, yes—I buy it at the newsstand." Well, we want to make it clear that we aren't the magazine with the "Periscope" (we have a thermometer



—on our cover), and you can't buy *Business Week* at a newsstand. One of our editors has suggested we take a full page in the papers and shout, "Not *Newsweek*, darn it, *BUSINESS WEEK*." But let's keep cool. Here are the facts. *Business Week* is published by McGraw-Hill Publishing Co., world's largest publisher of business periodicals. *Business Week* is the "general" one of the group, with circulation in business, industry, finance and government. Circulation: over 350,000, restricted almost exclusively to management men; no newsstands. Our oyster: The World—but only events, ideas, trends, that affect an executive's business decisions.



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A New Approach to Debt Management

In what amounts to their official swan song, Secy. of the Treasury Robert B. Anderson and Undersecy. Baird took a major step in debt management. They announced an advance refunding—offering holders of Treasury issues yielding 2½% an opportunity to exchange them for long-term issues yielding 3½%. The reception has been good, so that the present Treasury team has the satisfaction of knowing that it has left the structure of the national debt in better shape than it found it.

The decision to go ahead with major refunding of issues that still have a few years to run before maturity was not an easy one. For it meant substantially higher interest costs on our long-term debt. The Treasury's debt managers have a responsibility to refund at the cheapest possible cost, yet no advance refunding could succeed unless holders of the maturing issues were offered yields far more attractive than they were currently receiving.

The Treasury decided to pay the price. It argues that if it had to borrow for cash right now, it would have to pay more than the 3½% offered to the holders of the maturing issues. And it says that there is no way of knowing what interest charge it would have to pay if it waited for the outstanding issues to mature and then went to market with an ordinary refunding.

This is the crux of the matter. The Eisenhower Administration came into office firmly convinced that it could restructure the national debt by sticking to flexibility in both monetary policy and debt management. It put great store in the theory that the debt managers should stretch out the debt by selling long-term obligations in boom periods and increase liquidity by selling short-terms in recessions.

The first Eisenhower Treasury team of George M. Humphrey and W. Randolph Burgess tried to put this theory into practice. But this experiment in flexible debt management failed. Instead of a stretching out of the debt, we have had an increase in the amount of short-term securities outstanding. The Treasury's efforts to sell long-term debt were either expensive flops or else had such high rates of interest that they led to a big increase in the cost of servicing the debt.

There was no real culprit. The fact is that a flexible monetary policy and a flexible debt management policy are largely incompatible. For when the Federal Reserve is restraining the economy by curbing credit it becomes exceedingly difficult to sell any long-term debt except at very high rates of interest. And when the Fed is pursuing an easy course any attempt to sell long-term debt by the Treasury absorbs funds that might go into housing and other needed investment.

This is what Anderson and Baird have faced up

to. They have recognized that as long as we have a flexible monetary policy, there is little or no flexibility for debt management. The only way that the Treasury could have enjoyed a flexible debt management policy was by making the money managers subordinate to it. This the present Treasury team did not want to do. So it has come up with the technique of advance refunding, which provides for a definite stretch-out in the average maturity of the debt with the least economic impact on the capital market.

Admittedly the new technique is not a stabilizing device. And it may be somewhat expensive in terms of interest costs. But it does not upset the capital market and it does achieve a principal objective, namely putting more of the debt into the long-term area and relieving the men who take over next January of some major headaches.

This, in itself, will be a stabilizing force, although advance refunding is not so much a bold move to regain flexibility as a recognition that debt management must give up some of its flexibility and operate on more of an automatic basis.

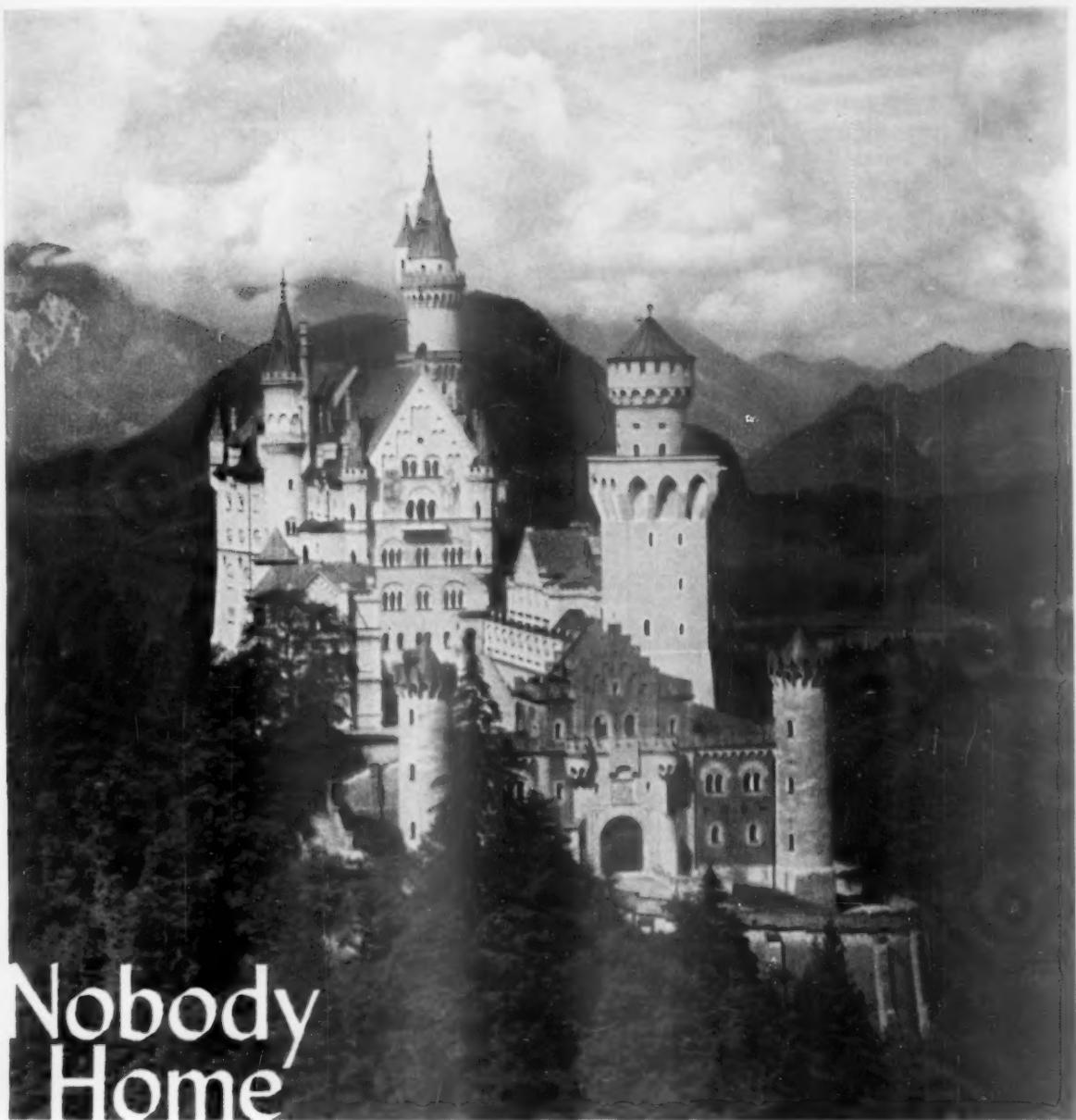
The Rose-Colored Glasses

Once again business is in a period when the outlook is uncertain and the signals are mixed. At such a time, people are likely to divide into two groups—those who think the press should report the business news just exactly as it comes, whether good or bad, and those who think that only the rosy news should get into print.

The latter group is in the best American booster tradition, but it is operating on a theory of economics rather similar to the medical doctrines of the late Dr. Coue who taught his followers to go around telling themselves, "Day by day, in every way, I am getting better and better." The economic version of this psychotherapy holds that the business cycle is entirely a matter of confidence. Good business comes from happy thinking; slumps occur when confidence falters.

It's a nice simple theory, but it has practically nothing to do with the facts. Economic research in the past 30 years has shown again and again that the business cycle is no figment of anybody's imagination. It operates according to laws of its own. And it won't go away obligingly just because nobody notices it.

Any responsible news magazine has a duty to report what it sees. And we are convinced that any intelligent businessman is far better equipped to deal with the realities of the business cycle if he is given honest, factual reporting and not a cloud of opium smoke.



Nobody Home

Eleven billion dollars in advertising is knocking at America's doors this year. Some advertisers will be welcomed in as a friend; some will get the "nobody home" treatment. (A man's home is his castle, you know.)

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YOU GET THROUGH TO PEOPLE (INFLUENTIAL PEOPLE) IN THE POST



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BURROUGHS ALPHANUMERIC ACCOUNTING MACHINES PAY FOR THEMSELVES IN NINE MONTHS AT AUDION-EMENEEL CORPORATION

The scene: Audion-Emenee Corporation, New York City—world's largest manufacturer of musical toys, and a leading producer of electric chord organs. **The jobs:** accounts payable, accounts receivable, payroll and cost analysis. **The equipment:** Burroughs F-1500 Alphanumeric Accounting Machines. **The results:** according to President Herbert L. Merin: "The productivity of these Burroughs Typing Accounting Machines is geared to such high standards that they returned our entire investment within 9 months. Turning out detailed records and reports efficiently and automatically, these machines keep pace with our mounting work load. And they facilitate decision-making through their ability to provide us with a complete and current picture of our financial status."

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For businesses of every size: Burroughs data processing line ranges from accounting machines to complete computer systems. It's backed by outstanding services and systems knowledge, known for outstanding results. **For details,** action—and results—call our nearby branch. Or write Burroughs Corporation, Detroit 32, Michigan.

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